CT-2022-002

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34;

AND IN THE MATTER OF the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.; and

AND IN THE MATTER OF an application by the Commissioner of Competition for an order pursuant to section 92 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

- and -

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.

Respondents

- and -

ATTORNEY GENERAL OF ALBERTA
VIDEOTRON LTD.

Intervenors

Affidavit of Kenneth Mathieu

I, Kenneth Mathieu, of the City of Downers Grove, in the State of Illinois, in the United States of America, **SOLEMNLY AFFIRM**:

1. I am a Vice President with Charles River Associates Inc. ("**CRAI**") and have held that position since 2019. CRAI is a global consulting firm that offers economic, financial, and strategic expertise to law firms, corporations, accounting firms, and governments around the world.

2. I specialize in the areas of accounting, economics, and finance as they relate to valuation, financial analysis, and security analysis.

3. I am a Certified Public Accountant (CPA), Accredited in Business Valuation (ABV) by the AICPA, and Certified in Financial Forensics (CFF) by the AICPA. I earned a Bachelor's degree in Business Administration from Loyola University New Orleans and a Master's degree in Business Administration from Northwestern University.

4. I have worked as a consultant and/or served as a testifying expert in litigation matters in Canada, the United States, and the International Commerce Commission's International Court of Arbitration. The nature of these engagements are consistent with my skills, experience, education, and training and generally include assessing the historical and expected financial condition of entities for various purposes, including solvency based on the fair value of the firm's assets and debts and its ability to generate cash flow to meet its obligations as they become due, and assessing the financial risks related to transactions pre-deal and calculating damages post-deal in the event of a breach of economic representations or warranties.

5. I make this affidavit in connection with the application by the Commissioner of Competition under section 92 of the *Competition Act* against Rogers Communications Inc. ("**Rogers**") and Shaw Communications Inc. ("**Shaw**") relating to their proposed merger.

6. The following exhibits are true copies of documents retrieved on October 17-18, 2022 from S&P Capital IQ: an aggregator of company financial related data, industry and research reports, and other data used by professionals in finance, economics, and accounting, amongst others, including being used by professionals in the investment community in advising their clients on investment decisions.

a. Attached as Exhibit 01 is RBCH00042_000000005, which is Shaw TSX:SJR.B FQ4 2014 Earnings Call Transcripts.

b. Attached as Exhibit 02 is RBCH00042_000000051, which is Shaw TSX:SJR.B FQ4 2015 Earnings Call Transcripts.

c. Attached as Exhibit 03 is RBCH00042_000000062, which is Shaw TSX:SJR.B FQ4 2016 Earnings Call Transcripts.

d. Attached as Exhibit 04 is SJRB-CCB00896476, which is Shaw TSX:SJR.B FQ4 2017 Earnings Call Transcripts.

e. Attached as Exhibit 05 is SJRB-CCB00896477, which is Shaw TSX:SJR.B FQ4 2018 Earnings Call Transcripts.

f. Attached as Exhibit 06 is SJRB-CCB00896478, which is Shaw TSX:SJR.B FQ4 2019 Earnings Call Transcripts.

g. Attached as Exhibit 07 is SJRB-CCB00896479, which is Shaw TSX:SJR.B FQ4 2020 Earnings Call Transcripts.

h. Attached as Exhibit 08 is SJRB-CCB00896466, which is Shaw TSX:SJR.B FQ4 2021 Earnings Call Transcripts.

i. Attached as Exhibit 09 is RBCH00042_000000001, which is Freedom Mobile Inc. M&A Call of Thursday, December 17, 2015.

j. Attached as Exhibit 10 is RBCH00042_000000018, which is Acquisition of WIND Investor Conference Call of December 17, 2015.

k. Attached as Exhibit 11 is RBCH00042_000000027, which is Rogers TSX:RCI.B M&A Call of Monday, March 15, 2021.

l. Attached as Exhibit 12 is RBCH00042_000000043, which is Slideshow for M&A Call of Monday, March 15, 2021.

STRUCK

[redacted]

[redacted]

STRUCK

[redacted]

7. The following exhibits are true copies of documents retrieved on October 17-18, 2022 from SEDAR: a filing system developed for the Canadian Securities Administrators to provide public access to most public securities documents and information filed by issuers pursuant to applicable regulatory schemes with the thirteen provincial and territorial securities commissions that is used by professionals in finance, economics, and accounting, amongst others.

a. Attached as Exhibit 24 is RBCH00042_000000065, which is Shaw's 2014 Annual Report.

b. Attached as Exhibit 25 is RBCH00042_000000002, which is Shaw's 2015 Annual Report.

c. Attached as Exhibit 26 is RBCH00013_000000338, which is Shaw's 2016 Annual Report.

d. Attached as Exhibit 27 is RBCH00042_000000053, which is Shaw's 2017 Annual Report.

e. Attached as Exhibit 28 is RBCH00013_000000299, which is Shaw's 2018 Annual Report.

f. Attached as Exhibit 29 is RBCH00042_000000059, which is Shaw's 2019 Annual Report.

g. Attached as Exhibit 30 is SJRB-CCB00787913, which is Shaw's 2020 Annual Report.

h. Attached as Exhibit 31 is RBCH00013_000000220, which is Shaw's 2021 Annual Report.

i. Attached as Exhibit 32 is RBCH00042_000000055, which is Shaw's Consolidated Statement of Financial Position, dated January 14, 2019.

j. Attached as Exhibit 33 is RBCH00042_000000056, which is Shaw's Consolidated Statement of Financial Position, dated, April 9, 2019.

k. Attached as Exhibit 34 is RBCH00042_000000015, which is Shaw's Consolidated Statement of Financial Position, dated June 27, 2019.

l. Attached as Exhibit 35 is RBCH00042_000000009, which is Shaw's Consolidated Statement of Financial Position, dated January 13, 2020.

m. Attached as Exhibit 36 is RBCH00042_000000046, which is Shaw's Consolidated Statement of Financial Position, dated April 14, 2020.

n. Attached as Exhibit 37 is RBCH00042_000000032, which is Shaw's Consolidated Statement of Financial Position, dated July 10, 2020.

o. Attached as Exhibit 38 is RBCH00042_000000096, which is Shaw's Consolidated Statement of Financial Position, dated January 13, 2021.

p. Attached as Exhibit 39 is RBCH00042_000000008, which is Shaw's Consolidated Statement of Financial Position, dated April 13, 2021.

q. Attached as Exhibit 40 is RBCH00042_000000083, which is Shaw's Consolidated Statement of Financial Position, dated June 30, 2021.

r. Attached as Exhibit 41 is RBCH00042_000000060, which is Shaw's Consolidated Statement of Financial Position, dated January 12, 2022.

s. Attached as Exhibit 42 is RBCH00042_000000088, which is Shaw's Consolidated Statement of Financial Position, dated April 13, 2022.

t. Attached as Exhibit 43 is RBCH00042_000000094, which is Shaw's Consolidated Statement of Financial Position, dated June 30, 2022.

u. Attached as Exhibit 44 is RBCH00042_000000089, which is Quebecor Inc. and its Subsidiaries' ("Quebecor") Consolidated Financial statements for the years ended December 31, 2014 and 2013.

v. Attached as Exhibit 45 is RBCH00042_000000087, which is Quebecor's Consolidated Financial statements for the years ended December 31, 2015 and 2014.

w. Attached as Exhibit 46 is RBCH00042_000000085, which is Quebecor's Consolidated Financial statements for the years ended December 31, 2016 and 2015.

x. Attached as Exhibit 47 is RBCH00042_000000095, which is Quebecor's Inc. Consolidated Financial statements for the years ended December 31, 2017 and 2016.

y. Attached as Exhibit 48 is RBCH00042_000000063, which is Quebecor's Consolidated Financial statements for the years ended December 31, 2018 and 2017.

z. Attached as Exhibit 49 is RBCH00042_000000047, which is Quebecor's Inc. Consolidated Financial statements for the years ended December 31, 2019 and 2018.

aa. Attached as Exhibit 50 is RBCH00040_000000001, which is Quebecor's Consolidated Financial statements for the years ended December 31, 2020 and 2019.

bb. Attached as Exhibit 51 is RBCH00040_000000011, which is Quebecor's Consolidated Financial statements for the years ended December 31, 2021 and 2020.

cc. Attached as Exhibit 52 is RBCH00042_000000052, which is Quebecor's Management Discussion and Analysis of 2014.

dd. Attached as Exhibit 53 is RBCH00042_000000023, which is Quebecor's Management Discussion and Analysis of 2015.

ee. Attached as Exhibit 54 is RBCH00042_000000069, which is Quebecor's Inc. Management Discussion and Analysis of 2016.

ff. Attached as Exhibit 55 is RBCH00042_000000022, which is Quebecor's Management Discussion and Analysis of 2017.

gg. Attached as Exhibit 56 is RBCH00042_000000030, which is Quebecor's Management Discussion and Analysis of 2018.

hh. Attached as Exhibit 57 is RBCH00042_000000067, which is Quebecor's Management Discussion and Analysis of 2019.

ii. Attached as Exhibit 58 is RBCH00040_000000003, which is Quebecor's Management Discussion and Analysis of 2020.

jj. Attached as Exhibit 59 is RBCH00040_000000010, which is Quebecor's Management Discussion and Analysis of 2021.

kk. Attached as Exhibit 60 is RBCH00042_000000075, which is the Condensed consolidated financial statements of Quebecor for three-month and six-month periods ended June 30, 2019 and 2018.

ll. Attached as Exhibit 61 is RBCH00042_000000017, which is the Condensed consolidated financial statements of Quebecor for three-month periods ended March 31, 2019 and 2018.

mm. Attached as Exhibit 62 is RBCH00042_000000006, which is the Condensed consolidated financial statements of Quebecor for three-month and nine-month periods ended September 30, 2019 and 2018.

nn. Attached as Exhibit 63 is RBCH00040_000000006, which is the Condensed consolidated financial statements of Quebecor for three-month and six-month periods ended June 30, 2020 and 2019.

oo. Attached as Exhibit 64 is RBCH00040_000000009, which is the Condensed consolidated financial statements of Quebecor for three-month periods ended March 31, 2020 and 2019.

pp. Attached as Exhibit 65 is RBCH00040_000000008, which is the Condensed consolidated financial statements of Quebecor for three-month and nine-month periods ended September 30, 2020 and 2019.

qq. Attached as Exhibit 66 is RBCH00040_000000016, which is the Condensed consolidated financial statements of Quebecor for three-month and six-month periods ended June 30, 2021 and 2020.

rr. Attached as Exhibit 67 is RBCH00040_000000019, which is the Condensed consolidated financial statements of Quebecor for three-month periods ended March 31, 2021 and 2020.

ss. Attached as Exhibit 68 is RBCH00040_000000015, which is the Condensed consolidated financial statements of Quebecor for three-month and nine-month periods ended September 30, 2021 and 2020.

tt. Attached as Exhibit 69 is RBCH00040_000000017, which is the Condensed consolidated financial statements of Quebecor for three-month and six-month periods ended June 30, 2022 and 2021.

uu. Attached as Exhibit 70 is RBCH00040_000000013, which is the Condensed consolidated financial statements of Quebecor for three-month periods ended March 31, 2022 and 2021.

8. The following exhibits are true copies of documents retrieved on October 17-18, 2022 from Eikon Thomson Reuters: an open-technology solution that provides access to client and industry data, insights, and news used by professionals in finance, economics, and accounting, amongst others, including being used by professionals in the investment community in advising their clients on investment decisions.

   a. Attached as Exhibit 71 is RBCH00042_000000031, which is Barclay's Equity Research dated April 5, 2016 titled "Story improves over time".

b. Attached as Exhibit 72 is RBCH00042_000000092, which is RBC's Equity Research dated July 15, 2016 titled "Competitive Position Should Strengthen Following a Transition Year in F2017".

c. Attached as Exhibit 73 is RBCH00042_000000021, which is RBC's Equity Research dated January 9, 2017 titled "Upgrading to Outperform".

d. Attached as Exhibit 74 is RBCH00042_000000061, which is RBC's Equity Research dated June 14, 2017 titled "More Wireless Pieces Come Together".

e. Attached as Exhibit 75 is RBCH00042_000000084, which is BMO's Capital Markets Report dated October 26, 2017 titled "No Capex Stepdown in Sight".

f. Attached as Exhibit 76 is RBCH00042_000000020, which is CIBC's Institutional Equity Research dated June 6, 2018 titled "Upgrading To Outperformer - Giving Shaw's Wireless Opportunity Its Due".

g. Attached as Exhibit 77 is RBCH00042_000000004, which is BMO's Capital Markets Report dated April 9, 2019 titled "Q2/19: In Line; Wireline Execution Still a Work in Progress".

h. Attached as Exhibit 78 is RBCH00042_000000066, which is Barclay's Equity Research dated June 28, 2019 titled "Healthy Wireless; looking for more consistent Wireline".

i. Attached as Exhibit 79 is RBCH00042_000000093, which is RBC's Equity Research dated January 13, 2021 titled "Pendulum Towards Profitability in Full Swing".

Affirmed before me from the City of Chicago in the State of Illinois by video conference at the City of Toronto in the Province of Ontario on 20th day of October, 20202, in accordance with O. Reg. 431/20, *Administering Oath or Declaration Remotely*.

Jonathan Bitran
A Commissioner for Taking Oaths

Kenneth Mathieu

This is Exhibit 01 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

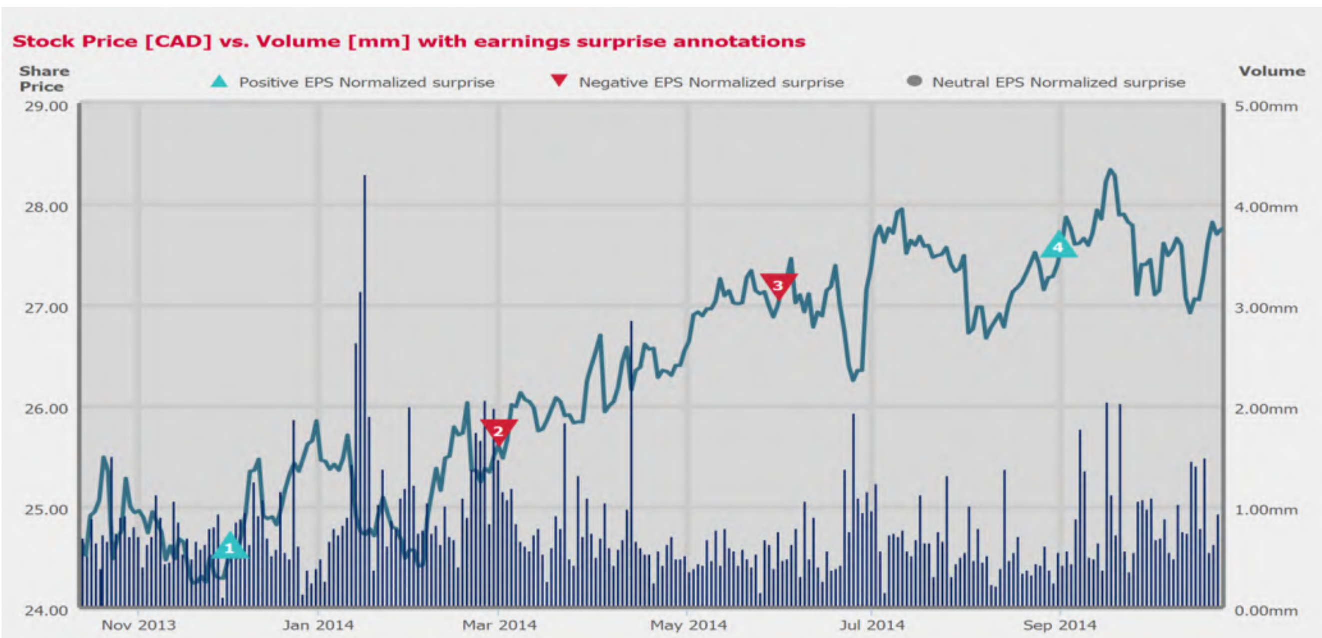
FQ4 2014 Earnings Call Transcripts

Thursday, October 23, 2014 7:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2014-			-FQ1 2015-	-FY 2014-			-FY 2015-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.37	0.41	▲10.81	0.59	1.78	1.78	●0.00	1.86
Revenue (mm)	1275.85	1263.00	▼(1.01 %)	1437.26	5257.99	5241.00	▼(0.32 %)	5530.05

Currency: CAD
Consensus as of Oct-21-2014 3:02 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2014	0.49	0.52	▲1 6.12 %
FQ2 2014	0.41	0.39	▼2 (4.88 %)
FQ3 2014	0.49	0.45	▼3 (8.16 %)
FQ4 2014	0.37	0.41	▲4 10.81 %

Table of Contents

Call Participants

EXECUTIVES

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Nancy Phillips
Executive Chair of the Board & Co-Founder

Rhonda D. Bashnick
Former Senior Vice President of Finance

Steve Wilson
Former Chief Financial Officer and Executive Vice President of Corporate Development

Unknown Executive

ANALYSTS

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Glen Campbell
BofA Merrill Lynch, Research Division

Gregory William MacDonald
Macquarie Research

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Goff
Echelon Wealth Partners Inc., Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to the Shaw Communications Fiscal 2014 Fourth Quarter Conference Call. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions]

And the conference is being recorded. [Operator Instructions] Please also note that an investor's slide presentation in relation to the conference call is being displayed on the webcast. It is also posted in the Investor Relations section of the Shaw website under Presentations and Meetings and Press Releases. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks, and actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thank you. Thank you, operator, and thanks to everyone for joining us today to discuss our 2014 fourth quarter and year-end results. With me today are members of our senior management team, including Steve Wilson, Executive Vice President, Corporate Development and CFO; Jay Mehr, Executive Vice President and Chief Operating Officer; Barb Williams, Executive Vice President and President, Shaw Media; Nancy Phillips, co-founder, president and CEO of ViaWest. Unfortunately, our President, Peter Bissonnette, is not with us today as he is flat out under the weather and is unable to join us this afternoon.

Earlier today, we released our Q4 financial and operating results. We are pleased with our performance and remain focused on delivering exceptional customer and viewer experiences, leading technology, operational efficiencies and value for our stakeholders.

Our diligent cost management and disciplined pricing approach to the market continues to resonate in our financial results. In Q4, we delivered consolidated EBITDA growth of 6% compared to a year ago, and our Cable EBITDA margin in the quarter was in excess of 49%. We continue to invest in and leverage our superior network, which now exceeds 850,000 kilometers of fiber throughout North America and over 45,000 WiFi hotspots across Canada.

We continue to balance financial results with maintenance of our overall customer base. We had another quarter of strong broadband additions of approximately 12,000, and we continue to have over 6.1 million RGUs.

In fiscal 2014, we delivered 3% revenue and EBITDA growth. Free cash flow in F '14 was approximately $698 million, which represents a 16% increase over the previous year. Our F '14 results meet our revenue and EBITDA guidance, and we exceeded our increased free cash flow guidance of $650 million, which was actually increased in June from our original guidance released in October.

We expect fiscal 2015 consolidated EBITDA growth to range between 5% and 7%, including our target F '15 ViaWest EBITDA of USD 85 million. Consolidated free cash flow is expected to exceed $650 million after accounting for additional interest expense and investments associated with the ViaWest and increased cash taxes.

Besides our F '15 financial guidance, we are also pleased to confirm some other key metrics, including: F '15 dividend growth target of 5% to 10%; target leverage ratio of 2x to 2.5x; the completion of our ACF program of $150 million in F '15; and long-term annual core Cable CapEx of $750 million.

We continue to provide our customers with innovative products that drive value, and we are focused on strengthening our strategy of being the leading content and network company. This includes our TV Everywhere, OTT and WiFi investments. We remain committed to providing our subscribers with greater choice and flexibility over what they watch, how they watch and when they watch their favorite content. We continue to scale our WiFi network and now have over 45,000 access points and over 1.25 million active registered devices on our network.

Our WiFi network continues to support the value proposition of our products, which is reflected in higher user likelihood to recommend and lower broadband churn. Approximately 75% of surveyed customers have confirmed their likelihood to recommend or move to Shaw due to our WiFi service.

Active internet WiFi customers also have approximately 35% lower churn rate than those internet customers not utilizing our WiFi service. The investment in our WiFi initiatives is supportive of our strategic objective of being our customer's primary network, with a best-in-class in-home WiFi experience that is complemented by our Shaw Go WiFi network outside of the home.

We completed the ViaWest acquisition on September 2. The transaction provides us with a growth platform in the attractive North American data center sector and is another significant step in expanding our technology offerings for mid-market enterprises in Western Canada. We are excited to jointly deliver with Nancy and her entire team on ViaWest's next phase of growth in the U.S., and utilizing the ViaWest experience to accelerate the development of our Canadian data center platform.

Our investments in programming, technology and innovative products, combined with our focus on exceptional customer experience and operational efficiencies continue to drive profitability and long-term growth. We remain focused on driving performance and value for all of our stakeholders through continuous enhancements and improvements in our operations.

Before we open the call for questions, I want to take a few minutes to thank Steve and wish him all the best in his retirement. Steve has been an integral part of our company since joining us over 10 years ago, and we are in a much stronger financial and strategic position because of his contributions. Steve has, obviously, been a key participant in our interactions with investors and the research community over the last decade.

And I know Steve wanted to say a few words before we continue. Steve?

Steve Wilson
Former Chief Financial Officer and Executive Vice President of Corporate Development

Thanks, Brad, for the kind words. 10 years ago, I traveled with my family to Calgary to join Shaw as CFO. Over the last 10 years, I've had the opportunity to work with one of the best teams in this industry. The company has grown substantially from analog TV to phone and now as the leader in high-speed broadband, with a successful Media operation.

Revenue and shareholder value have increased significantly, and along the way we did some important game-changing acquisitions. We were also one of the leading MSOs in North America to introduce a dividend. It's been a great ride for the last 10 years. I will miss the day-to-day excitement of the industry as well as the talented and engaging people at Shaw. The company is in great shape, both strategic and financially, and the foundational investments are in place to continue with a track record of success.

After a decade like that, I've decided to change pace. I'm looking forward to continuing my community work as a member of the Board of Governors of the University of Calgary, doing public and other board work and potentially, some teaching and writing. I'm extremely proud of the finance organization. They are dynamic, capable, strategic thinking and provide the support needed by the business. They also work hard to ensure that there are no miscues and there have been none. I'm happy to be joined on the call by some of them to address questions that may arise today.

This will be my last conference call, and I won't be taking questions, but I do get a parting word. There are many brilliant and thoughtful analysts and investors who have been a pleasure to work with. I leave you with the recommendation that you never underestimate the strength of commitment of the family, the

Board and a great senior leadership team. They are clear thinking in their strategy, prepared to make the investments necessary and forward-looking to navigate the many changes we'll see in this industry in the coming years.

Brad, it's been a pleasure working you, J.R., Jim and the whole team over the last decade. I look forward to tracking your achievements in the years to come.

Bradley S. Shaw
CEO & Non-Independent Director

Thanks, Steve. As Steve mentioned, we're happy to be joined today in the room by other senior members of our finance team, including Rhonda Bashnick, Senior Vice President of Finance; and Trevor English, Senior Vice President of Corporate Development & Capital Markets.

I'd now like to ask Nancy to give some insight on ViaWest. And we recently had our first Board meeting, and I'll ask her to say a few things, and then we'll go from there. Nancy?

Nancy Phillips
Executive Chair of the Board & Co-Founder

Great. Thanks, Brad. We had the pleasure this week of hosting the Shaw Board and many of the Shaw executive team members here in Denver, Colorado. I'm going to designate them as our lucky charm for the Broncos, so let's see if we can win tonight as well. But, obviously, a great week that we were able to engage on many fronts. And I think the theme was really just a lot of excitement about the adjacencies in the products that we're bringing to the market. We continue to see great traction and opportunities emerging not only here in United States, but my team -- and a genuine -- real excitement around the Canadian market opportunity and what we can do.

Clearly, we think that the breadth of services that we have honed over the last several years are really compelling, and very excited to get started here in the summer of 2015 with our flagship Calgary data center that we are working actively on in terms of getting that up and operational. We're starting to see early demand, both coming from the U.S. and Western Canada. And obviously, working very closely with many of the team members to create the right synergies as we move into that marketplace with the Shaw business unit.

So overall, very excited. I think a real positive on the selling front. Excited in terms of the opportunity ahead for the company. And I'm happy to answer any questions that you might have here this afternoon.

Bradley S. Shaw
CEO & Non-Independent Director
Okay. Great. Thanks, Nancy. So thanks, everyone, for joining us today. And operator, we'd now like to open the phones for questions.

Question and Answer

Operator

[Operator Instructions] The first question is from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

My first question is just a clarification on the WiFi. Brad, you talked about, I think, 1.25 million registered devices. Wondering how many households that roughly represents? So I guess, looking at a penetration number in terms of the number of households that are actually using the WiFi. And then the second question is really on internet. I guess, with all the over-the-top news that we've been hearing in the last couple of weeks, one of the things that I'm thinking about is, what is the importance of the Internet-only subscribers, that's in your base? We're seeing some pretty good growth in your disclosure, I think, roughly 20% of your base is now Internet-only. Can you talk a little bit about the profile of these customers? Just give us a sense as what the ARPU and churn in usage may be? Because, I guess, as OTT becomes bigger, this space could become a lot bigger. I'm just wondering how that would impact financially going forward.

Bradley S. Shaw
CEO & Non-Independent Director

Sure. I'll start, and I think Jay will add something, and I might go a little further than you want on WiFi. From a penetration point of view, on a homes passed, it's 28% of actual customers, Shaw customers, home penetration -- not homes passed, sorry. It's interesting, as we look at the WiFi development worldwide and what's going on, the new technologies, this Hotspot 2.0, the roaming relationships happening around the world, the new business models being created, the opportunity when you look at it just from a point of view of our extension of broadband, and how that's resonating with customers, the likelihood to recommend, as I mentioned in my speech. All very important for us and all, I think, tremendous signs that WiFi has a role in mobility, in the wireless world. We certainly think there's many opportunities. We're working closely with Industry Canada and making sure there's more WiFi spectrum coming along the way. And as we look forward, we believe that the WiFi for us will be a fundamental piece in the broadband story. And we couldn't -- when you look at home spots, you look at trying to densify your network, you're looking where the people are, you're looking at the heat maps, you're building things to where customers will get the most benefit. When I look at just the users and the people using it, when you look at video and video streaming, is it portable? Is it mobile? We really think we have an answer for customers, and there's a tremendous value proposition. And as you can see from the device growth, the account growth, we're very excited. We are very focused on continuing to add value right across our markets. And we're continuing to look at what types of roaming things. And I think one thing I'd be able to say is, as we look out over the next few quarters, and you might have to give us a couple, but we'll be able to, I think, give a little more sense of the WiFi roadmap, and you can get a little more understanding of what some of the things we're looking at and timing. And we can -- we'll be able to fill you in a little bit better there. Jay?

Jay Mehr
President

Great. And picking up on your Internet-only question. So, as you've seen, we now have 400,000 or so internet customers without video. And to be clear, we love those customers. They're very profitable, and they're a big part of the future of our company, and we're making investments in things like shomi and to a lesser extent, Rdio, to provide experiences for the segment. And we think of our business as a network and content experience company. And we're going to work hard to deepen our relationship with those customers. And when we talk about deepening that relationship, we're talking about deepening it in a way that provide services that customers -- that, that customer segment values, not trying to take them back to some services that they've left behind. So we're doing lots of things with shomi. I think, as we get to the other side of Optik TV, SR&ED, we're going to continue to try to build the best-in-class video experience that absolutely is going to bring this customer segment back into experiencing Shaw video.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Okay. Just one clarification. The 28% number, is that percentage of your internet subs?

Bradley S. Shaw
CEO & Non-Independent Director

Yes, yes, that's correct. Yes.

Operator

The next question is from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

A couple of free cash flow questions to start. You mentioned that the core CapEx beyond the accelerated CapEx fund is still $750 million. Correct me if I'm wrong, that was the figure prior to acquiring ViaWest. Now you seem to be including ViaWest CapEx and it's still $750 million, so does the number not go up when you add in ViaWest spending?

Bradley S. Shaw
CEO & Non-Independent Director

That's correct. The core Cable CapEx is more on the residential and Shaw business CapEx figures. So you would have a higher CapEx when you include the ViaWest.

Vince Valentini
TD Securities Equity Research

Okay. So when you say it includes consumer and business, that doesn't include ViaWest in the $750 million then?

Steve Wilson
Former Chief Financial Officer and Executive Vice President of Corporate Development

It doesn't include ViaWest, it doesn't include the current Satellite group, it doesn't include the current Media group. And we'll clean up as we report in the new segments for the first time in Q1. So you can get flexibility. I think we're just simply reinforcing that our path hasn't changed from what we talked to you about before.

Bradley S. Shaw
CEO & Non-Independent Director

And similar to what we said on July 31, I mean, we're forecasting ViaWest CapEx to approximate the EBITDA figure that we gave this morning as well.

Vince Valentini
TD Securities Equity Research

Right. And in other free cash flow drivers, cash taxes, you said those will be higher. Can you remind us where we are, I think, it was a 5-year period of accelerated or inflated cash taxes after the deferred or limited partnerships got shut down. Is this -- can you remind us where we are on that, and how much of that is still left to spend in 2015?

Rhonda D. Bashnick
Former Senior Vice President of Finance

It's Rhonda. We're in year 4 of that. So it will be coming off next year. Next year we'll have another year of taxes and then it will roll off. And we're estimating the cash tax number to be approximately $375 million this year.

Vince Valentini
TD Securities Equity Research

When you say next year, Rhonda, you mean it rolls off in 2016?

Rhonda D. Bashnick
Former Senior Vice President of Finance

2016 will be another year of pickup for cash taxes on the partnership. That will be the last year. 2017 rolls off.

Vince Valentini
TD Securities Equity Research

2017 rolls off. Okay, yes. And one last one, if I can switch gears, maybe for Barb. In the immediate sort of environment, you guys seem to have posted reasonable organic growth numbers, because you had a couple of assets that were divested and you still had flat revenue. Can you give us a bit of commentary on what you're seeing in terms of the ad market environment out there, despite things like digital media taking share or the Canadian dollar being weak? I mean, how much pressure are you seeing on traditional advertising spending?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

There is some pressure. We're seeing a little bit of softness this quarter, pacing a little bit behind. But we are seeing some catch-up in that. The advertiser is making decisions later and later, but the demand does seem to come. It certainly does put an emphasis for us though on containing costs carefully as we go forward, and being sure that we manage our way through whatever softness might be there.

Operator

The next question is from Glen Campbell of Merrill Lynch.

Glen Campbell
BofA Merrill Lynch, Research Division

So another question for Barb on Media. Could you talk a little bit about shomi from a Shaw perspective? I guess, I understand that this is your project. We see in the press release that Shaw's committed $67 million. How is -- how do you expect the numbers to kind of flow through the financial statements? And how does the partnership between Rogers and Shaw work in terms of, say, the platform as well as the content?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

I'll let Rhonda speak to you the financials. It is a 50-50 between Shaw and Rogers in the JV of shomi. From a content perspective, we are leveraging the opportunities that both Shaw and Rogers can bring to the table in terms of dealmaking for the content of service. But as far as the financials, Rhonda, maybe you want to speak about.

Rhonda D. Bashnick
Former Senior Vice President of Finance

Sure. So it is a 50-50 joint venture and we are -- so it won't be proportionately consolidated in our results. It will be equity accounted for.

Glen Campbell
BofA Merrill Lynch, Research Division

Okay. Great. And just to follow-up. There's also the platform development aspect of shomi, with authentication, the menu, the interface and so on. Who's taking responsibility for that?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

That process was started by the Rogers team back before we became partners with them. So the outstanding user interface actually, the Rogers team deserves credit for getting that underway. But there is a shomi team, an independent shomi team that has its own technical group, has its own content group. And on a go-forward basis, they will be managing both the upgrades and changes, improvements to the user interface over time, as well as responsible for the ongoing relationship with our customers and with our content suppliers.

Glen Campbell
BofA Merrill Lynch, Research Division

Okay. Great. We'll look forward to that. And then one last one, again on the CapEx. So the $750 million has been identified, I guess, as the core Cable CapEx for fiscal '15. How should we think about the medium term? Is that a maintenance number, and the actual spend's likely to be kind of a little above that? Or should we think of that as being a good run rate for '16 and beyond?

Jay Mehr
President

It's Jay. You should think of that as being a good run rate for '16 and beyond in providing us with enough flexibility to make decisions as we go along and make investments as we go along.

Operator

The next question is from Phillip Huang of Barclays.

Phillip Huang
Barclays Bank PLC, Research Division

Question on ViaWest. I understand it's provided a platform for future growth in a less competitive Tier 2 U.S. market. And you guys currently have a pretty strong presence in the Western U.S. markets. And I think you guys have talked a little bit about looking at potential opportunities in the East Coast over the next 18 months due to demand for -- from customers. I was wondering if you might be able to give us an update on your thinking on this front? And whether you see any attractive expansion opportunities in the near term?

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I think, we have seen some very good customer demand. We have long-tenured customers who, in many cases, like to be in multiple data centers with us. And the East Coast has, obviously, been part of that early demand. So as you know, historically, we've grown in 2 ways, either through greenfield builds, much like our Minneapolis center that we opened this year, and/or through acquisition. And I think the key here is that we want to pick the right way to go-to-market in the East. We've been a very patient expansion company. And I think we are obviously participating in conversations as we see opportunities potentially come to the market. But I think the key is that it -- we really are looking for the enterprise-grade capabilities that our customers have become accustomed to, especially in the mid-sized market. And so I think we're looking at it sort of through that lens of both not only greenfield, but potential opportunistic acquisition. And so that's kind of where we're at today, continuing to take a look at what's going to make sense.

Phillip Huang
Barclays Bank PLC, Research Division

Right. No, that's helpful. In terms of more for modeling for us, you mentioned that it's going to be largely net -- free cash flow neutral over the next couple of years. Beyond that, like, how should we think about the cash flow contribution for ViaWest?

Bradley S. Shaw
CEO & Non-Independent Director

It's Brad. I think, we -- when we came into the business and the diversification is -- we wanted the growth, we certainly see a lot opportunity going forward over the next 18 months and beyond, and we want to continue to maintain that growth focus and that commitment around that. So you're going to continue to see us support that model.

Unknown Executive

Just to add. Of the $85 million roughly of CapEx guidance we're giving for this year for ViaWest, I mean, the lion's share of that is growth capital. The maintenance capital within the business is around...

Nancy Phillips
Executive Chair of the Board & Co-Founder

2% to 3%.

Unknown Executive

2% to 3%.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes. I mean, We've been very much on line. So it's -- the lion's share is definitely about success-based capital in terms of our organic growth strategy now.

Phillip Huang
Barclays Bank PLC, Research Division

Got it. Okay. And then, perhaps one final question for you guys, maybe give us an update on the AWS spectrum transfer to Rogers? I believe, September was the last month of the 5-year moratorium. So I was just wondering whether you've started the process of applying to Industry Canada for the spectrum transfer. And should that transfer not be approved, I was wondering if you have some idea in terms of the timeline when you expect to return the $200 million deposit to Rogers.

Bradley S. Shaw
CEO & Non-Independent Director

A couple of things on that. I think -- we have talked to the appropriate parties, and they are awaiting feedback as we go through the fall here. It's something as you look at, we really love where we are in WiFi, and our focus and attention there. We're committed to following through on the deal with Rogers on the AWS spectrum. And even in that deal, there's options for them beyond that to allocate the spectrum. And so for us, and subject to all those things happening and all that coming into place and not happening, you have to consider just where things are at from our point of view. And if you do get the spectrum back, what does that actually mean? And so it's prudent on our part to be having some thoughts around that and going from there. But we still believe the spectrum will get approved.

Phillip Huang
Barclays Bank PLC, Research Division

Right. Is any part of your consideration linked to the upcoming sort of wholesale rulings from the CRTC? Or is that completely sort of irrelevant to the way you guys think about the spectrum, more how it relates your strategy overall?

Bradley S. Shaw
CEO & Non-Independent Director

Oh, yes. It's all relevant. I think, for sure, it's -- as you look at it, you go, okay, what are the things that are going to change, and what's happening, and what's different than 5 years ago, and what's happening around, both in North America and globally. I think, it's prudent on our part to look at all those things. And as you look at it -- but we're -- we love our play in WiFi. We think there are so many opportunities there. We're just starting to crack the egg, and you're going to see us continue to make sure we develop our WiFi and want to extend WiFi wherever possible. Now, how we want to extend it? We're going to continue to build and continue to make sure we create value through partnerships and other ways. And from that -- but I would say, from a point of view of -- incase -- you look at all scenarios. So I can leave it to that.

Operator

The next question is from Drew McReynolds of RBC.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Most of my questions have been answered. Just I might as well touch on Satellite. Just big picture, just wondering if could give us some granularity just on, obviously, some erosion on the subscriber front. Is that a function of the price increases you put forward? Is it competition? Is it cord cutting, potentially in some of the more urban areas? Just wondering if you can give us some big picture context?

Jay Mehr
President

It's Jay. The -- yes, I mean, clearly the Satellite subscriber loss is a subscriber number that really stands out from our trajectory. It's fair to say that it's in a very competitive triple play environment that we're struggling with our acquisition economics for better net subscriber numbers that -- than you've seen, and getting a return on the capital invested required to get those numbers. So our approach has been clear. It's to maximize free cash flow. And that approach has delivered, I think, this quarter, with 8% year-over-year EBITDA growth, and we had a very nice free cash flow profile in Satellite. But we certainly understand the core question. Q4 is actually seasonally a good quarter for those that follow the Satellite business policy. And we still had a subscriber loss of 6,600. So what does that mean in the medium- and long-term profile of the business? I think we will see some more stability over time. We believe we're in the competitive part of the business cycle in Eastern Canada as the triple play battles heat up. And we believe strongly that we can maintain Satellite EBITDA, including run rate EBITDA. And so shifting dynamics, bigger focus on retention to mitigate the loss over time. To be clear, Q1 is seasonally our toughest quarter because we have our seasonal summer business that we do with cabins. And I think you'll see a Q1 number that's significantly weaker than Q4. But overall, we're going to have solid EBITDA growth both in Satellite and the whole consumer division. We think it's a terrific business. We've got industry-leading customer satisfaction scores. Our core part of the base in rural has a compelling customer experience. And we're just not really chasing new customers aggressively right now to fit in with our strategy of maximizing free cash flow and maintaining EBITDA.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Okay. And maybe just one last one from me. Just on shomi, and perhaps for you, Barb, interesting development, I think, for the industry and interesting to see Shaw in there, just given kind of where your exposures lie on TV and broadcasting. Just wondering, how you're positioning shomi. Do you view it as a hedge? Do you view it as complementary? Is it really thematically about just serving content up for your best internet customers, knowing that you have a very strong internet offering? Can you just help us strategically put it into context?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

Sure. I think generally, we have seen statistically that the initial OTT offerings have been complementary. So we don't see this as a direct hit as much as an opportunity to offer more choice, more place for people to connect with our content. We are more and more able to engage in a larger basket of rights, which allows us to use this content across more platforms, including shomi. So I think this is all about respecting the customer's desire to engage with content where, when and how they want, and being sure that we continue to offer a wider variety of options for them. And shomi is just a great opportunity for us to leverage off the tremendous content success we've had in the traditional media business and extend it into this future platform.

Bradley S. Shaw
CEO & Non-Independent Director

And just to add to that Barb, I think it's also, when you look at it, TV Everywhere meets a certain part of the market when you look at how they want to consume content, where they want. I think OTT plays also a role in there. And ultimately, for us, we're not going to sit here and say, "Oh, potentially we're going to sit here and guard everything, and hold and protect." You have to be able to look around and be able to even somewhat disrupt yourself. I look way back when -- yes, it's a little different scenario, but when we got into Satellite, we said 2 out of 3 customers is fine with us, and we're willing to play in that game. So I see this very similar. I think there's also -- when you look at it, I think there's always -- when you look at Netflix and what they're doing, the pressure on rights and the things that are going on and the volatility of things is also a driver somewhat for us in that regard.

Operator

The next question is from Tim Casey of BMO.

Tim Casey
BMO Capital Markets Equity Research

Just one clarification and then a question. On shomi, I understand that your equity accounting the P&L of shomi itself, but will you still book content sales from your Media group through Shaw consolidated P&L?

Bradley S. Shaw
CEO & Non-Independent Director

I think -- let us -- can we maybe take that offline and we'll get back to you on that?

Tim Casey
BMO Capital Markets Equity Research

No worries, no worries. Just on WiFi, I mean, I -- certainly, obviously, it's being widely accepted by your subscriber base. Are you able to provide any discrete financials on what it's contributing? Or is it still really part of the package so you're not able to draw that out? And secondly, just can you comment on what you're seeing on the voice side. As -- are you able -- are you offsetting what one would think would be erosion of your voice subscribers in an urban environment. Are you offsetting that with gains on the SME side? Or what's happening on the voice part of the bucket?

Bradley S. Shaw
CEO & Non-Independent Director

I'll -- on WiFi, just from the churn benefits, I think it more than pays for the cost of rolling out WiFi. And we -- as I said earlier, we continue to look at the model, continue to make sure we have a great network. We're densifying, we're planning well. And listen, even though we have 45,000 hotspots, we're just starting in a lot of our municipal deals. We have over 60 of them that cover 4 million potential, and continue to build off those. So -- and we're also going to continue to make sure we build where the people are. And so we're constantly looking at that. Not with quite the success rate, but almost similar to that. So -- and we continue to look at the models and the potential for it. And -- but we're very focused on making sure we have a clear roadmap on what we're going to do and how we are going to do it. And making sure we're clear on what's coming at us, because there's a lot there. And we just want to make sure we're prudent on how we manage it.

Jay Mehr
President

Great. And picking up on the voice side. Yes, I mean, I think we're pretty comfortable with sort of maintaining overall lines, as you've seen. I think you've correctly identified that you're seeing some modest declines in the consumer voice base that are being offset by some modest increases in the very small base. The way we sell voice to medium-sized customers and other technologies doesn't really drive RGUs in just the way we recognize things. It drives revenue. So I don't think the business growth line is as big as you might think it is. But for sure, there is some offset there.

Operator

The next question is from Greg MacDonald of Macquarie Capital Markets.

Gregory William MacDonald
Macquarie Research

The question I have is on the internet pricing power. This is one company certainly with the deployment of WiFi that you've got, that probably has a higher-than-average pricing power on the internet side of things. And let's face it, this is an industry that some would argue, I certainly would, is losing pricing power in a number of areas, but this is one that's strong for you guys. Can you comment on what pricing levers you could pull in 2015 to help hit the guidance numbers that you have? And then I've got one definitional question after that.

Jay Mehr
President

It's Jay again. Why don't I just talk about rate adjustments in general terms for us in F '15, and then we can come back to some conversations about potential future pricing power driven by WiFi. So just to level set for everybody, on the Cable side of the business in F '14, we did our annual across-the-board adjustment in September. And as we made plans for F '15, we modeled a number of scenarios, including doing the annual adjustment in September, as has been done in the past. And there were a number of moving pieces in the ecosystem. And we all talked it through and decided that it might be prudent this time around to give the market a little bit of time. So we're going to come with our consumer and business rate adjustments that will now happen on January 1. And so I mean, when you look at it, as a number, the consumer number's a lot more material than the business number, so maybe focus our comment there. We've got 2.8 million consumer households. And our January rate increase is going to net about $9 million a month. So a little bit more than $3 per month per customer. I think if you model that through, I think it's fair to say the 4-month delay probably takes what would have otherwise been a great F '15, when you combine the Cable business with our focus to deliver cost cuts. But now it's just probably going to be a good F '15, with the growth in the second half. First quarter looks -- will look a little tough, just because of the combination of our annual network fee and salary increases, without the offsetting adjustment, which are in a slightly negative base in consumer. But the year turns around nicely and goes to nice growth in the second half. In terms of opportunities for WiFi, I mean, we include WiFi in our internet packaging today. It's certainly, we've got -- a likelihood to recommend on our WiFi product in the -- deep into the 80s. And it's taken likelihood to recommend our internet product overall into the 80s, which is a dramatic increase over where it was a couple of years ago. And so -- I think it's fair to say there will be other ways to monetize that over time, but for F '15, we are really looking at adoption.

Gregory William MacDonald
Macquarie Research

Okay. So no price increases on internet or will there be?

Jay Mehr
President

Yes. The vast majority of that price increase will on internet, January 1.

Gregory William MacDonald
Macquarie Research

January 1, okay. And Jay, just to clarify, is there -- help us with the rationale on waiting. Is there a competitive aspect to that? Or is that literally you've sensed that there's a little higher churn than you want, so you're delaying for that reason?

Jay Mehr
President

Yes. It wasn't...

Gregory William MacDonald
Macquarie Research

Just Telus -- is the reaction to Telus? Or is it sort of internal?

Jay Mehr
President

It wasn't -- it certainly wasn't churn related. We had some momentum in the marketplace, and we wanted the opportunity to bring some additional value to our consumers. Certainly, there was lots of noise around pricing and packaging over that period of time, and we didn't necessarily want to step right into the middle of that. And we weren't sure about signals in the marketplace in terms of what was there, and in the gap, our primary competitor stepped in end of October and did a significant second in the year internet rate increase. And so it's certainly has also provided an umbrella to walk into it a little bit.

Gregory William MacDonald
Macquarie Research

Okay. That make sense. And the definitional question, you could probably help me this also, is in the guidance you talk about "propose including a stable customer base in the assumptions." How does that relate to the PSU assumption? Because I think most of us are probably still modeling a negative PSU overall. Does that mean you're assuming a stable PSU number when you say stable customer base?

Jay Mehr
President

I think our focus in the business, and certainly on the Cable side of the consumer business, we've already talked in detail about the Satellite business. Our focus in the Cable business is absolutely to maintain our number of customers. And when I say customers, I mean, unique billing relationships, and we're certainly driving our messages, you heard us say, "We're happy for our customer to take whatever product from us they see value on." So it's really not about chasing a customer who no longer wants to subscribe to home phone home, or really not about changing a customer who doesn't want to subscribe to a premium video customer, but to maintain that relationship with the customer.

Gregory William MacDonald
Macquarie Research

Right. So we should think of it terms of not necessarily users, which is kind of the PSU definition, but more in terms of accounts. Is that what you're suggesting?

Bradley S. Shaw
CEO & Non-Independent Director

The customer relationship.

Jay Mehr
President

Yes, I think that's helpful. And If think about it in terms of number of accounts using your phrase, the X and Ys being that in our group, we've got a nice package as well as for customers.

Operator

Next question is from Maher Yaghi of Desjardins.

Maher Yaghi
Desjardins Securities Inc., Research Division

I wanted to go back to a question that was asked on wireless. And you mentioned that you're reviewing what's going on worldwide in terms of wireless to guide you into what your next move will be. Can you maybe be more specific on what you referred -- or you meant by looking at what's going on in the world?

Bradley S. Shaw
CEO & Non-Independent Director

I think, you ultimately start with WiFi and certainly everything going on there and the success of it, and the development in the R&D, and the coordination, and the first WiFi, and the variety of different things we continue to look at and continue to have conversations in doing that. I think it's relative when you look at WiFi, you certainly look at the whole mobile space. I think, for us, it's -- as you see certain things happen, you want to have certain data points, you want information, you want to be able to understand what's going on related to different markets and knowing they're all different. But for us, it's research, it's homework, it's all the things we like to do. It's all the patience and the rigorous around what we're doing, and this is no different. And we'll take it as we see it. And I think the more informed you are, the better you are. So it's as simple as that.

Maher Yaghi
Desjardins Securities Inc., Research Division

Do you believe -- I mean, are you referring more specifically to the use of WiFi to deploy wireless services in addition to just the regular internet access?

Bradley S. Shaw
CEO & Non-Independent Director

Well, I think, ultimately, you go -- where will it broaden, where does the technology go, what opportunities are there? You have Hotspot 2.0, your Affinity [ph] things. But ultimately, for us, it's making sure what technology, what roaming, whatever other things we do fits into the model, fits into the business case, gives us opportunities to grow, to increase revenue, to increase that strong link with the broadband home and continue to do that. So that's always core for us and in our core thinking. How it translates and how well things go and develop beyond that, we're certainly interested to see and want to be on top of it.

Jay Mehr
President

Building on Brad's thoughts, our WiFi strategy is to be our customer's primary network. We want to have them on a great WiFi experience in the home, and we want them on Shaw Go WiFi anywhere they go in a day. And so, of course, in that world, where we're trying to create that level of value, we're interested in what else is happening in the ecosystem. And so if there were to be a fourth provider from somebody else on very competitive roaming, that would help shape how we would package our WiFi primary network strategy. And so it's about a primary network, and we're absolutely staying on that path.

Maher Yaghi
Desjardins Securities Inc., Research Division

That make sense. And just on the accelerated CapEx, you've spent $350 million so far, you still have only $150 million to go. Can you talk a little bit about the achievements you had so far in spending those $350 million? And when you look forward, are there any particular additional investments that you feel you need to make above and beyond that $750 million that you talked about as a run rate for the Cable business?

Jay Mehr
President

We're certainly pleased with the progress of our accelerated capital fund. We think it's had an impact in the marketplace. And we think it's allowed us to provide a differentiated internet experience. And to recap for everybody, we're $350 million invested so far. The final $150 million invested in F '15. The investments include, just to revisit our program, completion of our data center, further digitization of our network, we got additional bandwidth upgrades, Shaw business investments for growth and absolutely to expansion and WiFi. And we just went through a process, focused to deliver, as we've talked about before, has 11 work streams to it, and we just went through and completed our capital efficiency work stream, which was up a top to bottom 0 base review of 591 buckets of capital. And so we're very close to our capital spend and can affirm that, that $750 million number going forward gives us lots of room to make choices in the future and give us the opportunities to do the things we want to do. It is a little premature this quarter because we're just in the process of changing segments. So I think as we get into January, there will be a cleaner story to tell as you can see how the capital flows across the consumer business and how it flows across the business-business unit, and it might be a little easier for you to model from there.

Operator

Next question is from Rob Goff of Euro Pac.

Robert Goff
Echelon Wealth Partners Inc., Research Division

In terms of questions, Brad, I would -- I typically ask about the growth in the -- SME marketplace, whether you're there between the 10% and 20% annual growth. My second area of questioning would be on the internet only. With -- when you look at the addition of roughly 72,000 on the year, to what extent would they be new to Shaw? Or would they be those leaving video and just taking it on a streaming basis?

Bradley S. Shaw
CEO & Non-Independent Director

Okay. I'll start with SME and see if I can help you with the Shaw business math, which again gets a little confusing just with a couple of our changes. So as we've talked about in the past, in F '13 and F '14, Shaw business grew at 20% per year, and that included both organic growth and some growth through acquisition. You'll recall we purchased Envision, and Envision happened over 2 years. It was an April closing. And so it was part of that 20% number in each of the 2 years. So if you break that down a bit further, in F '13, Shaw business grew revenue by $48 million, and that was $37 million organic, which was 15%, and $11 million from Envision. In F '14, it was $37 million organic again, and 12% and $21 million from Envision. So we would see a similar level of organic growth in F '15 on that part of the business, which is what has historically been called the Cable Shaw business. We're very pleased with our reorg in that we've put together every experience that a business can choose from Shaw into a single business unit here in Canada. And so added to that is the Satellite B2B businesses. And 2 of those are much lower growth. So we've got our Shaw Tracking business that offers tracking services to the long haul trucking market, and we've got Shaw Broadcast doing Satellite video transport. And those are both very stable businesses and have generated approximately, almost right on, between them, $80 million in revenue each of the last 3 years. So there's not really growth in those businesses, but they're very good free cash flow. And then just closing out the business segment, the B2B Shaw Direct business has had nice growth, just like the Cable B2B space, with mid-teen growth over the last 2 years. And in F '14 contributed $23.5 million in revenue. So hopefully, that lets you sort of build back the equation and have a look at next year.

Operator

Your next question is from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

Jay, just on the factors you were going over for delaying the rate increases this year. Was regulatory one of them, given that the Let's Talk TV hearing was in September, and you would have been raising rates right on top of that?

Jay Mehr
President

Yes, I wouldn't overplay that. I thing to be fair, there were a number of factors in the decision. But common sense dictates that would be one.

Vince Valentini
TD Securities Equity Research

Okay. Great. And a totally different question, I don't know, maybe for Trevor, but can you update us on what your company-wide P&L foreign exchange exposure is to the appreciating U.S. dollar? I mean, now that you have ViaWest in there, and I forget if you have any hedging of your sort of U.S. dollar purchases and what the sort of net impact may be if we continue to see this U.S. dollar strength?

Bradley S. Shaw
CEO & Non-Independent Director

Sure. On the core business, we roughly have about a $300 million exposure on the U.S. dollar, related to purchasing equipment with respect to modems and set-top boxes and so on and so forth. I mean, we typically engage in a hedging program where we've -- in the past, we've been around 20% of that exposure hedged. We don't have as much on right now, to be frank. We do, obviously, with that natural short position in the currency, we've got a long equity exposure with the ViaWest entity going forward. We're not doing any hedging with respect to ViaWest's operations, obviously, economically it's matched. Their revenue and EBITDA will be used to fund sort of organic capital in the U.S. But hopefully that clarifies sort of where our U.S. exposure is at right now.

Operator

Mr. Shaw, there are no more questions at this time.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you. Great. Thank you, operator. Thanks, everyone. We'll see you next call.

Operator
This concludes the time allocated for today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

This is Exhibit 02 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

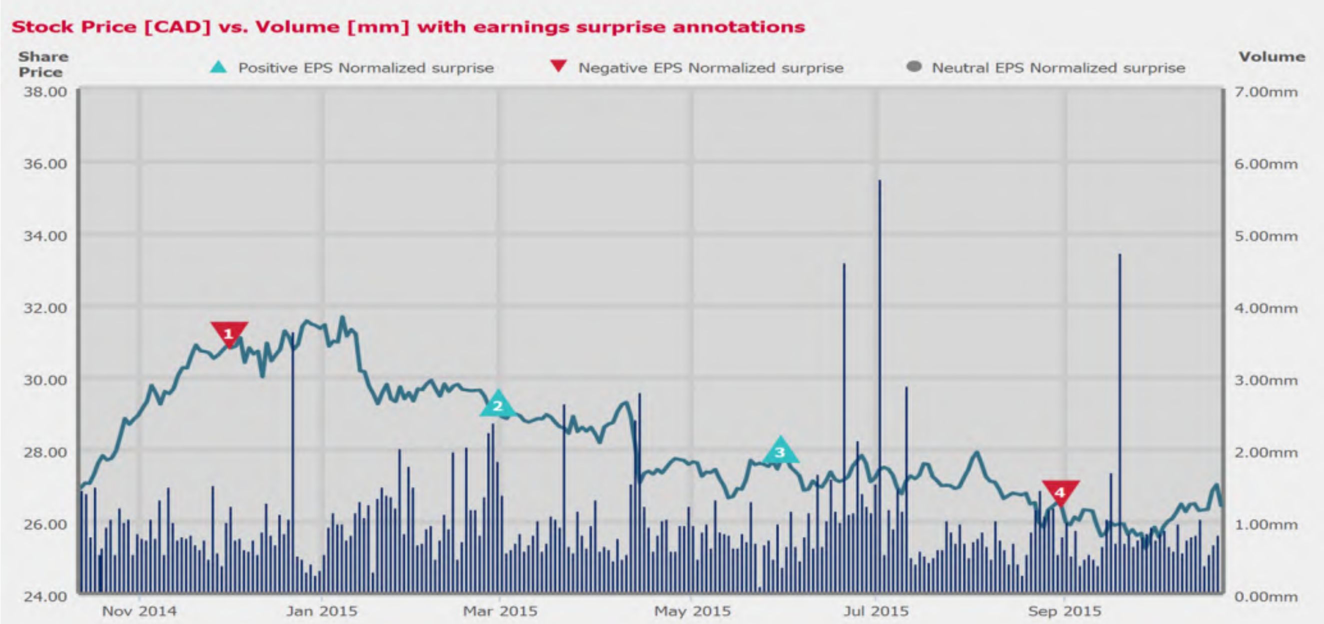
FQ4 2015 Earnings Call Transcripts

Thursday, October 22, 2015 7:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2015-			-FQ1 2016-	-FY 2015-			-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.39	0.33	▼(15.38 %)	0.52	1.79	1.74	▼(2.79 %)	1.81
Revenue (mm)	1349.47	1343.00	▼(0.48 %)	1427.02	5486.32	5488.00	▲0.03	5575.25

Currency: CAD
Consensus as of Oct-22-2015 2:42 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2015	0.51	0.49	▼1 (3.92 %)
FQ2 2015	0.39	0.43	▲2 10.26 %
FQ3 2015	0.50	0.55	▲3 10.00 %
FQ4 2015	0.39	0.33	▼4 (15.38 %)

Table of Contents

Call Participants

EXECUTIVES

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Nancy Phillips
Executive Chair of the Board & Co-Founder

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Vito Culmone
Former Executive VP & CFO

ANALYSTS

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Gregory William MacDonald
Macquarie Research

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Peters
Crédit Suisse AG, Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to Shaw Communications Fourth Quarter and Fiscal 2015 Year-end Conference Call. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions] And the conference is being recorded. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and thanks to everyone for joining us today to discuss our fourth quarter and fiscal 2015 year-end results. With me today are members of our senior management team including Jay Mehr, Executive Vice President and Chief Operating Officer; Vito Culmone, Executive Vice President and Chief Financial Officer; Barb Williams, Executive Vice President and President, Shaw Media; and Nancy Phillips, Co-Founder and CEO of ViaWest.

Our annual and quarterly operating results represent a continuation of our strategic and financial focus, and for the year, we delivered consolidated EBITDA growth of over 5% and free cash flow of $653 million, meeting our 2015 guidance targets. Vito will discuss our financial results in more detail in a moment after I touch on some of the key developments during the quarter.

In Q4, our consolidated business delivered over 6% revenue and 9% EBITDA growth. However, subscriber losses of 74,000 accelerated due to aggressive competitive activity, the impact of the economic downturn in Alberta and the continued phone losses as we maintained our focus on high-value customers and long-term profitable bundling strategies.

Despite the increase in subscriber losses, our Consumer division delivered 3% EBITDA growth in Q4 and maintained a healthy 46% margin.

Business Network Services launched a number of new products during the quarter including SmartVoice. This new phone product provides a unified communication solution to small business to enhance productivity by allowing employees to collaborate seamlessly across their traditional business, desktop phone, mobile devices and computers in or outside of the office. We also launched Manage Hotel WiFi, which provides a cloud-based WiFi product that is a fully managed solution for the hospitality market. Early results from these launches are positive and represent significant progress relating to the strategic initiatives and direction we are taking following the realignment of our Business Network division earlier this year.

Business Infrastructure Services continues to meet our expectations and the fundamentals of the data center business remained strong. We are experiencing an increased number -- sorry, an increase in customer demand, which is a positive indicator of revenue performance as we move into F '16. Over the long term, we continue to believe that revenue and EBITDA growth will be in the low to mid-double digits.

During the quarter, we announced the opening of 2 new facilities including the Hillsboro, Oregon flagship facility with over 50,000 square feet of space and the Calgary facility, which is opening this fall. Our Calgary data center is the state-of-the-art facility and represents the first Canadian offering developed through our partnership with ViaWest. The launch of this new data center will allow Shaw Business to help organizations meet their expanding IT needs by providing a fully configurable hybrid solution backed by a 16-year track record with ViaWest.

As we move into fiscal 2016, we remain committed to our strategic priorities in advancing our technology road map. In Q3, we announced that we are working with Comcast to begin a technical trial of their cloud-based X1 platform and that we'll be the first in Canada to capitalize on their cloud technology. We are confident that our partnership with Comcast on the X1 journey will allow us to reinvigorate our video road map and bring momentum back to our video business.

At the beginning of October, we launched our new Shaw home gateway, the XG1, which is a whole home PVR with our Moxi user experience. This set-top is currently being deployed by Comcast and is a forward compatible with the X1 service. To date, we are pleased with the progress of the trial. However, as it remains ongoing, we are not yet at the point where we'll provide details regarding the partnership and the specific economics related to the long-term arrangement. The X1 platform that is to be deployed is entirely built on Comcast's infrastructure. Commands such channel changes, user interface and video on demand titles will be powered directly by Comcast infrastructure and not processed in Shaw's facilities. So you can appreciate the complexity and the time requirements around the trial to ensure we have a robust service when we officially launch in F '16.

Another strategic priority for us is in the broadband space where there have been a lot of announcements by the industry about gigabyte-speed capability. Our customers will always have access to the best network available, and we are completely aligned with the cable industry approach, DOCSIS 3.1 advantage, and the broad go-to-market differentiated Internet experiences.

Recall that our first digital network upgrade removed the first tier of analog channels. During F '15, we removed all remaining analog signals from Vancouver and the Lower Mainland, and we will continue this as part of our digital network upgrade, which we refer to as Phase 2 in F '16.

At the end of the year, we plan to have over 95% of our customers all-digital. This opens up significant amounts of additional capacity within our network and plans for us to deliver DOCSIS 3.1 in 2016 remain on track.

The customer experience remains front and center for us. Not only are we launching new products and investing in people and technology, we remain focused on capitalizing on additional efficiencies, such as our call center realignment and our commitment to our Focus to Deliver multiyear program.

Concerning, both the opportunities and challenges that we face going into fiscal 2016, we are targeting EBITDA to the range between flat and low single-digit growth over 2015, including the costs associated with the X1 platform. Capital investment is expected to be approximately $850 million in the Consumer, Business Network Services and Media divisions and approximately $130 million in the Business Infrastructure Services division. In fiscal 2016, we anticipate a free cash flow of between $665 million to $680 million, representing year-over-year growth of 2% to 4%.

Now I'd like Vito to provide more detailed overview of the financial results.

Vito Culmone
Former Executive VP & CFO

Thank you, Brad, and hello everyone on the call. It's great to be here and with a full quarter now under my belt, I appreciate the opportunity to get into more detail regarding our financial results. I'd like to take this opportunity to thank all of my colleagues at Shaw for assisting me up the learning curve, and in particular, a shout-out to the finance team for their great work day in and day out and through the reporting cycle.

Let's first start with the fourth quarter where consolidated revenue and EBITDA were up over 6% and 9%, respectively, as Brad mentioned earlier. On an organic basis, i.e., excluding the results of the Business Infrastructure Services division, our year-over-year EBITDA growth in Q4 was 4.5%.

Each business segment delivered year-over-year growth and let me address each one individually. In our Consumer division, revenue was up slightly and EBITDA increased over 3% compared to Q4 2014. Despite the increased subscriber loss, total cable ARPU is up 2% year-over-year with a strong 9% growth in broadband.

Business Network Services delivered revenue and EBITDA growth of over 6% and 7%, respectively. Margins remain healthy at over 50% while we continue to invest in new managed product and service offerings such as SmartVoice and Managed hotel WiFi, while also ramping up our sales force.

Additions to the sales team will continue into F '16, which will have an impact on EBITDA growth in the near term. However, we believe these resources and scaling will support double-digit revenue growth in F '16.

Business Infrastructure Services delivered Q4 revenue of $68 million, which is a 7% increase over Q3 2015. Reported EBITDA of $24 million includes a number of onetime costs related to employees as well as start-up costs from Calgary data center. For informational purposes, the stand-alone U.S. ViaWest business delivered revenue and EBITDA growth of 10% and 11%, respectively, for fiscal 2015. We're extremely pleased with the progress and trajectory in this business.

Our Media business delivered solid year-over-year growth this quarter with EBITDA up by $7 million or 17% due mainly to higher subscriber revenues, combined with lower programming, employee-related and promotional costs. For the year, revenue and EBITDA from our Media assets declined by 1.5% and 3%, respectively, as reduced advertising on specialty channels and the effect of a disposition in the prior year of Historia and Series+ were partially offset by increases in conventional airtime and subscriber revenues.

Net income for the quarter on a consolidated basis was $276 million or $0.57 per share and included a onetime gain of $158 million as we received the final payment from Rogers regarding the wireless spectrum.

Total capital spending in F '15, including the accelerated capital fund, was $1.1 billion. We continue to invest growth capital into Business Network Services and Business Infrastructure Services. Total capital investments in F '16 are expected to decline from F '15 levels, and we remain comfortable with $850 million as the base Consumer, Business Network and Media spend.

Our balance sheet remained strong, with total debt of approximately $5.7 billion and a leverage ratio 2.3x at the end of the fiscal year. We continue to have ample liquidity through both our cash balance of $400 million and available credit facilities.

With that, Brad, I'll turn it back to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, Vito. To conclude, we are excited about the year-end -- sorry, the year ahead, and we have some great new products that will enter the market and we believe we are well positioned to meet the demands of our customers and to deliver value for all of our stakeholders.
Thank you, and we'd now like to open the phones to answer any questions.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

First off, Vito or somebody else, is it possible to quantify at all those onetime employee and Calgary start-up costs within ViaWest in the fourth quarter?

Vito Culmone
Former Executive VP & CFO

Yes, Vince, it's Vito here. Maybe I'll take it and then ask Nancy to provide some commentary on the business. In the quarter, I'll say we had about $3 billion to $4 billion of onetime-related type expenditures, which when you look at it on an absolute basis, on a percentage basis, it sort of distorts what really the success and the momentum that we're seeing in the business. Just by way of reference, in U.S. dollars, our Q4, both the revenue and EBITDA performance improved 4% versus the prior quarter. So we're really, really happy on the U.S. dollar. There is a little bit of noise when you bring that back into Canadian dollars and some of the consolidation-type entries. Maybe Nancy, I'll ask if you can give a little color on that.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I mean, as Vito said, it's sort of onetime impact to the business a little bit. There is some start-up costs, obviously, as we start to bring on the Calgary asset, but this was primarily driven by some long-term incentive impact. But listen, fourth quarter, we are very, very pleased with how our fourth quarter came in. We saw our strongest bookings quarter of the year and quite frankly in the history of the company, so the demand for our products and services remains very, very high. We saw our Oregon site come online in July and it had unprecedented early-stage customers coming into that facility. We think it's on track to break even in half the time of our typical modeling that we've seen in historical data centers and our margins have remained very consistent with historical standards. And the fourth quarter really put us in a position to do some small acceleration of capital because of the growth we're seeing and early, early demand in the first quarter of this year. So fourth quarter for ViaWest actually was very, very strong. We had a little bit of a slow start, but as we finished the year, the demand remained strong and high and feel very good going into 2016.

Vince Valentini
TD Securities Equity Research

Great. One other question on -- if the guidance for 2016, maybe Vito again, can you explain a bit the difference between the bottom and the low end of the range that, if I read you correctly, sort of 0% to 3% EBITDA growth is what you're signaling. To get to the low end of that range, is there some uncertainty that you guys might have about how much demand and uptake there'll be from customers for the X1 platform given it's a bit different economics than we have had in the past when you'll have OpEx versus CapEx? So you may be hedging your bets a little bit in case there's huge demand for that? It may be a nice problem to have, but it may cause your EBITDA growth to suffer temporarily. Is that part of the reason why you may have some caution at the low end of the range, only expecting flat?

Vito Culmone
Former Executive VP & CFO

Yes, Vince, I'll start and maybe Jay you can pick it up here. Definitely, at the end of the day, I believe we would be disappointed with fiscal '16 ending up flat, on the low end of the range. There're lots of balls in the air and you described a couple of them, but -- and including obviously economic activity in Alberta, we've got the NGVE [ph] costs that you're describing and the integration of that into the system, probably more back-ended as far as early impact on RGUs. And Jay, any additional color you want to provide?

Jay Mehr
President

Yes, just to reaffirm where you're headed, Vito, that's certainly not the low end of the range. It's certainly not how we're managing the business. There's a lot going on in this fiscal year and most of it is good, but there's a lot of moving pieces and so we've probably gone with a bit of a broader range than in past years. Though if you're trying to rework the math since it's-- there's not a lot of risk in the X1 number, and similar to our previous comments on it this, we don't really see degrading margins. We think the -- well, there's a little shift from CapEx to OpEx. We see this as a business that we're going to make money on and not do harm for the margin. One thing you might not see as clearly in our numbers is, for sure, we've got some pressure on content costs and it'll be -- it's certainly one of our key initiatives this year to try and change that relationship. It's pretty clear there's a relationship between video revenue and content costs. It's clearly asymmetrical today, and I think we'd like to add some symmetry to that relationship.

Vito Culmone
Former Executive VP & CFO

Vince, the only other item I'd add is promotional activity. I mean, we saw some aggressive competitive activity in June and we let it go by the wayside and I think, as we move into F '16, we need to obviously protect our business as well.

Operator

The next question comes from Phillip Huang of Barclays Capital.

Phillip Huang
Barclays Bank PLC, Research Division

Quick question on the guidance as well. It seems like your -- so your guidance implies low single-digit free cash flow growth for fiscal '16. So should we assume that dividend growth will also be consistent with free cash flow growth? And does that sort of imply dividend growth will slow from the high single-digit that we saw this year to low single-digit in fiscal '16?

Vito Culmone
Former Executive VP & CFO

Yes. It's Vito here again. I mean, I think it's too early to make any extrapolations on dividend related to our FCF guidance. There're a lot of things moving through. As you look at FCF, I will guide more directly to cash taxes, and just for modeling purposes, you should use very similar level to our F '15 of $375 million. There're obviously pension-related contributions that move around during the course of the year as we look at interest rates and some of the more macro asset performance. That's a variable that we need to obviously take into account. But as it relates to the dividend, we usually give guidance on dividend to make it [indiscernible] in the January time frame. We're very, very confident in our long-term prospects and the strategies that we're undertaking and feel very, very -- from a dividend perspective obviously very comfortable with where we're at.

Phillip Huang
Barclays Bank PLC, Research Division

Got it. And then just a quick follow-up on the operating environment, particularly as it relates to Alberta. We certainly believe the telecom revenues are quite recession-proof. But as you mentioned, it was a factor in the accelerated subscriber decline. Was wondering if you'd give us some color on the flow-through of your August 1 price increase versus prior price increases? Have you guys observed any resistance to the price increase whether it's in terms of increased cord shaving or churn? Just wondering how does the current environment compare with, say, the prior cycles, say, in 2009? Do you think the [indiscernible] cord shaving is potentially higher this cycle just given the prevalence of over-the-top today?

Jay Mehr
President

Thanks, Phillip, it's Jay. I guess there're a couple elements of that. Certainly, in terms of the Alberta environment, we have seen a disproportionate impact on RGU results in Alberta compared with the other markets that we serve. And certainly, if you go back to the first half of F '14, there actually really weren't material RGU losses in Alberta. The strength of the economy was really driving our results and so we've seen a shift in that and certainly disproportionate. We ran into some incredibly aggressive activity in June competitively, which subsided in July and has returned to sort of the normal intense competition that we face in Western Canada. And there was an overlap with that timing over the notification of our rate increase. And so for sure, for customers who were absolutely price-sensitive and looking for options, we had a little bit of a perfect storm there in June. In general terms, we've seen the rate increase pass-through similar to previous rate increases. We did make some commitments to our customers. This was what happened, of course, as we moved the September rate increase for a variety of reasons and we went back to our normal summer rate increase. We've communicated to our customers that we'll be adjusting rates only on an annual basis in the summertime. And so you'll see that normalize out as we move forward.

Phillip Huang
Barclays Bank PLC, Research Division

Right, okay. And just to clarify then, in terms of the competitive activity that you guys saw in the summer, that has since fully subsided? Or did it sort of resurge in the, I guess, into the back-to-school time frame as well? Did it fully subside at this point?

Jay Mehr
President

It fully subsided in July and August. We had good months given the seasonality of -- July's got a little bit of negative seasonality of it, but year-over-year we're in good shape. And so far in Q1, we're back to just the most competitive environment in North America. We're not on that really deep 1-year price discount on all products.

Operator

Our next question comes from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Couple of questions more on the cord cable business. When we look at your results, I mean, a lot of it currently being driven by rate increases, but it sounds like you do obviously have a number of product and service enhancements coming with X1 being one and it sounded like there is more on the broadband side. Can you maybe just help walk us through some of these product enhancements. I know timing may be sensitive. But can you give us a feel that over the next 12 or 18 months that these service enhancements on the product will, I guess, support these rate increases so that if your competitors come out with new service enhancements that you're able to compete effectively. So maybe just talk a little bit more about that. And then the second part of the question is more related to '16. A lot of BDUs are now, I guess, looking at how they're going to repackage some of their television channels, preparing for skinny basic and pick-packs. Your competitor, main competitor, Telus, is already very flexible in how they package their television services. Wondering how -- what your thinking is going into that -- going into next year and how some of your channel packaging may or may not change. Wondering if you can talk a little bit about that as well?

Jay Mehr
President

Jeff, Jay again. Sure. We're -- lots of folks have issued press releases about things that are going to happen in F '16 and 2017 and beyond. I think we have -- we're very -- as Brad said, we're very aligned with where the industry is headed and the cable advantage on broadband and DOCSIS 3.1. My sense of it is that you'll see us announce product launches when we launch products, which is more of Shaw's approach to the marketplace as opposed to shadowing that. And those product launches, combined with the X1 platform, will give us a very active next 12 months. And what's exciting about it is we'll be bringing meaningful, new differentiated products to markets really each quarter, and both of those have streams have got stages that we step into the marketplace with some really compelling offerings. So we're going to be very active in the Consumer cable business. In terms of your comments on television channels and packaging for Let's Talk TV, it's fair to say that all of us in Western Canada have offered sort of a greater level of choice for a long time and so we've seen customers repackage. You'll see some changes in March from us to just impact the size of our packaging to make sure that we're staying in touch with where we're headed here. And also the skinny basic, I don't think there is anything scary in that. I think the team's done a terrific job of building an elegant package that it fits beautifully with our current packaging and provides choice for consumers. And then you'll see us as we go throughout the calendar year moving to the full pick-and-pay environment as you can appreciate. And to my comments on symmetrical versus asymmetrical content costs, negotiations with the broadcasters are not simple and so we're working our way through that through the calendar year.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Is your -- just as a quick follow-up. Is your comment regarding content costs, is that -- you're talking that from the BDU side of the business. Does that, I guess, flipping that onto the Media side, how does that impact maybe Barb's business when we think about content costs or content revenue on that side of the business?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

Yes, it's Barb. I think from our side of the business, we obviously have a handful of very significant deals with our various carriers, which are at various stages of their terms. And as those deals come up for renegotiation in a Let's Talk TV environment as we face different packaging options, we'll be looking to be negotiating rates for stand-alone as well as small packages as well as larger bundles. So it certainly does change the environment of the negotiation a bit. We work hard to keep the cost side of content, from our point of view, down as low as possible and provide good value to -- ultimately to our providers and on to our customers. But it is a changing environment and it's still to be worked out as F '16 and '17 happen.

Operator

The next question comes from Drew McReynolds of RBC Capital Markets.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

My questions are on Shaw Media. For you, Barb, just following up on the last question. Just in general, you talked about in your MD&A next generation ad solutions for Media, just wondering if that has to do with addressable advertising. And even if it doesn't, can you to speak to where we are at Shaw in terms of bringing addressable advertising onto the TV platform? And then, secondly, just in terms of the tracking for Q1, obviously a seasonally stronger quarter than Q4. Just wondering if you could talk to those top line trends? And lastly, on the margin front for Media, I know Q4 is a seasonally weaker quarter. Just wondering -- some of the cost efficiencies and rework that you did last quarter, is some of that kind of year-over-year margin improvement sustainable on a go-forward basis?

Barbara L. Williams
Former Executive Vice President of Broadcasting and President of Shaw Media

Sure. All good questions. From the next generation advertising perspective, we do believe in Media that the answer here is to be smarter about using more data more effectively to help advertisers be smarter about reaching the audience that they're interested in reaching. So we do see the power of television in the future being closely aligned with the intelligence of data. And we are working both independently to understand how to move those projects forward as well as working cooperatively with the CRTC's working group because we do believe ultimately there's an industry solution here that can continue to make television a very powerful opportunity for advertisers. So yes, there're efforts in that front and we believe that there can be -- there's strong opportunity on the addressable front as well as putting advertising on to some of the other platforms where our audiences are enjoying our content today like the VOD platform. So some good momentum there that we're keen about. To your other questions, I think the restructure in April absolutely helped to get us on a better path, both in terms of cost base that makes sense to a business that's at the mature stage that ours is, as well as sort of reorganizing the business to be more for future-oriented so that we are expanding the skill base around the products that will move us beyond just being a pure broadcast company, but help us to define product for our other platforms of other lengths to work with advertisers in other ways in branded content, et cetera. So I do believe that we have made an important shift in our opportunity to keep a strong margin in the business with the restructure that we went through. And we saw nice results in Q4 that the team is really pleased with, which were in large part about cost control and that does reflect the restructure that we did. Finally, to your other question about Q1. It is an important quarter to us. We're very, very, very focused on it. The election money has helped support the quarter. We're seeing some upside in that. So, so far, the quarter's looking not too bad actually. We're feeling pretty good.

Operator

The next question comes from Tim Casey of BMO.

Tim Casey
BMO Capital Markets Equity Research

A couple of things. Can you -- and maybe it's for Jay. Can you talk a little bit about some of the dynamics we're seeing in the subscriber trends because I know you've articulated a focus on broadband, but on a net basis, the RGU impact on the quarter seemed a bit negative. And then on ViaWest, you made comments that you were very pleased with the fourth quarter, but I thought I heard you say on an organic basis it grew at 4%. That seems to be below the average growth rates. So just wondering if you're expecting a significant acceleration from that trend? And could you also speak to the free cash flow profile of ViaWest when we just do a very simple analysis of EBITDA trends versus the articulation of the capital you're spending there, do you expect this business to achieve free cash flow -- positive free cash flow anytime soon?

Vito Culmone
Former Executive VP & CFO

Yes, why don't we -- it's Vito here and I'll ask Trevor also and Nancy to chime in on ViaWest as well. Sorry, on the Q4 -- on the 4%, let me just make that clear, that was Q4 over Q3 momentum. So that extrapolates to something much more significant, double digit. So that's not quarter-over-quarter. That's Q4 over Q3 on that.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, Tim, it's Trevor. Just on the CapEx related to the business, I mean, we've always -- I think, Nancy articulated just the growth in the demand that we're seeing in the U.S. environment. And we did open up a new facility and it's doing extremely well. I mean, we really look at that as -- a lot of that is success-based capital and it's great capital to spend and a high return on that capital. And in the near term, we've always said we're going to invest in our growth businesses and we certainly see this is a very attractive grow business for us in the U.S. I mean, in Q4, you saw capital higher in Business Infrastructure Services, but a lot of that capital again was related to the first data center in the Canadian portfolio and that was roughly $24 million in Q4. So just echoing Nancy's comments, this is exactly why we made the investments just over a year ago. We're really happy with the way things are performing.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I mean, listen, the fundamentals of the business remain extraordinarily strong. The demand in the market is only increasing. We are very pleased with the acquisition of Applied Trust in July, adding a whole security portfolio of services into our business is only adding additional value to our customers. So I would echo -- I mean, this is a growth business and the capital for high-demand services and products that we are building is really what the focus of the organization is at this point.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

We've always portrayed it as if the maintenance capital within the business is roughly 3% of sales. So if we elected to, we could turn this into a very -- an additive component of our free cash flow profile. But again, we don't think the time is right to do that.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I think one of the differentiators of ViaWest clearly, I think, we actually believe we're one of the leading companies in terms of capital efficiency because of the way we build the centers. We tend to augment over a period of time based on the capacity arising. So as customers start to install and we see power and cooling requirements change over time, that's when we start to add additional capital into the existing centers. So not only is it a continued growth opportunity, but clearly I think we're actually one of the best in the business in terms of the way we build it on a success-based profile.

Vito Culmone
Former Executive VP & CFO

Tim, it's Vito here. Just maybe before we flip it back to Jay to address the first part of your question, you give me the opportunity to address a couple of other little things. First of all, when you look at F '16 capital versus F '15, although it doesn't come through in our free cash flow as we define it obviously, F '15 represented the last year of our accelerated capital fund. So we'll see those dollars flow through as well -- as far as F '16 from where we currently stand. And as we move into F '17, we pick up another $60 million-or-so related to the cash taxes and that's the impact, everything else being equal, of the F '16 representing the final year of our deferral -- tax deferral pickup. So some nice momentum on FCF as we move forward here.

Jay Mehr
President

Great. And Tim, you asked for some color, this is Jay, on the subscriber trend. So I would say a couple of things to give you a sense of how we're thinking about this. The Q4 results were driven by a very significant spike in competitive losses in June that was driven by deep discounting from our primary competitor and we've seen a return to a more rational pricing environment. And certainly, the subscriber result trajectory from Q4 is not acceptable and is not the way to think about our business going forward. We see a material improvement in consumer RGUs in F '16 over F '15. A couple other things I would say to your comments. One is we've talked before about the bundle change and promotional packaging and the impact on phone. You'll see that the impact of the bundle change lessen in Q1, and then Q2 phone, RGUs will be an organic representative of RGU numbers, so that's just the timing on that. In terms of competitive responses that we had talked to in our response to Jeff, I think our very active plans this year give us a number of levers, both in terms of the X1 platform and broadband that will allow us to not only respond if there's a repeat of this sort of competitive activity and even play a little bit of offense. And then my final point on broadband subs is just to reconnect everybody with the nature of the competitive environment in Alberta and BC. Our primary competitor links Internet and video together into three year contracts and pulls both. And so if you look at our results over the last couple of quarters, the gap between video performance in terms of net gain and Internet performance, you'll see the gap of that is quite similar and it's the pull-through that pulls down Internet. And the way to think about that is we've always been very successful with millennials. We're very successful in the Internet-only base. And so that's the trend that you're seeing on the Internet side. So as we stabilize video subs, you'll be able to start to see the gains in broadband start again.

Operator

The next question comes from Greg MacDonald of Macquarie.

Gregory William MacDonald
Macquarie Research

So guys, I want to go over CapEx just a little bit more. I hate to slug a dead horse, but it's an important horse. In the past, you've indicated that capital intensity -- kind of base case capital intensity on the cable side is around 20% of revenues. I'm wondering if that's still the case? And whether in the guidance for 2016, there's any growth CapEx still in that? Or whether that sort of unusual growth CapEx is already completed? And then maybe Trevor or Vito, whoever wants to address it, a good way of giving us better insight on what the ViaWest CapEx profile and help us get what the free cash profile is on that business. It's really good growth and I'm not going to debate whether spending CapEx on double-digit growth is valid, I think it very much is. But what would help us to understand is when you get a somewhat mature revenue and EBITDA line, let's call it, high single digits, is it safe to say that, that CapEx profile is going to be somewhere in the 10% to 15% or 10% of sales range? That would help us look into 2017 and '18 and try and do some numbers based on the growth profile then. Any insights on that would be helpful.

Vito Culmone
Former Executive VP & CFO

Yes, let me address the second part and then maybe, Jay, you can pick up the consumer piece of it, and Trevor, invite you as well. I think what you're asking for there is a very good suggestion as we move forward, maybe splitting a little bit of our capital profile for ViaWest between growth, and I'll call it maintenance or whatever existing. That's something that's I think we'll put our best foot forward on and give you some color to that.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, maybe we'll take that away as well about providing a bit more granularity on the U.S. versus the Canadian businesses. We are very excited about the growth within the U.S. business and -- but I don't want to give the impression that it's going to be a 10% or 15% capital intensity business in '17 or '18. I mean, we still see tremendous growth within the business and the dynamics in the U.S. specifically. We'll probably continue to give you -- if you back out the impact of FX, continue to invest capital that sort of approximates the U.S. business EBITDA as long as the return on that capital is still there as we look at new greenfield builds. I mean, we still, this year, we've got a plan to build another new data center and ViaWest has a history of doing 1 to 2 new greenfields a year and I think that'll continue as we really like the industry dynamics.

Gregory William MacDonald
Macquarie Research

Okay. But to the point, right, guys, it's very difficult for us. It's 46% of sales in CapEx this year in ViaWest. In a year where -- to be quite blunt, I think the free cash was a bit of a surprise to the low end to a lot of analysts. So we're having a difficult time understanding. We're prepared to say, great, ROI is high. I'm happy for you to spend that CapEx, but we're having a tough time understanding what that means for '17 and '18. Unfortunately, markets look at kind of 1 to 2 years out.

Vito Culmone
Former Executive VP & CFO

Yes -- no, point noted and we'll take it away and see what we can do going forward. I mean, just to Trevor's point, we're very bullish on this business going forward and I think we're going to stop just shy of committing to what that profile looks like in '17 and '18. But if we can give you additional color to help you understand what a full capacity return is versus the growth, then I think that allows you to get maybe as excited as we are about the business.

Trevor English

Executive VP and Chief Financial & Corporate Development Officer

I'll just to go back when we initially announced the transaction, we always positioned it and maybe it was a bit unclear, on an unlevered basis. It was going to be sort of free cash flow plus or minus 10. And I think that's still the message and when I say unlevered, it's really EBITDA less CapEx and we're still comfortable with that going forward, I would say.

Gregory William MacDonald
Macquarie Research

Got it. And on the cable side, guys, is that a 20% business now?

Jay Mehr
President

Yes, and the way we've talked about it for the last number of years is about Canadian CapEx and we're not talking about Business Infrastructure, we're talking about Shaw Business and Consumer and Media. We've talked about that in the $850 million range and we've guided to that again. I think -- we think that's a great number for this year that's allowing us to invest in what we need to invest. Note that there's been a significant degradation in FX exposure to CapEx and we've been able to absorb that within the $850 million run rate, so we're getting even more bang for our buck, which is the great thing about DOCSIS 3.1 and to see capital, the tremendous things that are happening on the technology side. I don't know that we're really in a position with so many moving pieces to give multiyear capital guidance except to say we have -- the cable industry, in general, has an enormous cost advantage on the capital side compared to our primary competitors. And so we'll sort out the timing on how we exploit that.

Operator

The next question comes from Maher Yaghi of Desjardins Capital Markets.

Maher Yaghi
Desjardins Securities Inc., Research Division

So I just want -- I have 2 questions, the first one is on capital allocation and the second one is on Home Phone. So on the capital allocation side, I wanted to ask you, I mean, you have a relatively low debt level compared to other companies. I wanted to see how do you feel in relation to how you've deployed your capital so far? And if there are ways, you believe, to improve the capital allocation ratios by either using -- doing continuous -- other acquisitions or potential buybacks. The second question -- sorry, I had a second question I wanted to ask you is, this morning, the CRTC said that there are more Canadians who subscribe exclusively to mobile than to wired phones. We've seen company -- cable companies in the U.S. like Comcast join with Verizon, for example, to offer a combined product offering, triple play, quadruple play, to continue to be successful in the marketplace. How do you view your product offering? And is there a way to improve it by offering mobile services somehow, so partnerships with other companies?

Vito Culmone
Former Executive VP & CFO

Maher, it's Vito, I'll maybe -- Trevor and I will address your first part of the question perhaps and then, Jay, you can get the second one. In regards to capital allocation, of course, we're committed to investment grade and we're currently sitting in a 2.2 net debt-to-EBITDA range and we guide to 2 to 2.5 around that. So I'd say we start at that point and then we determine obviously how much money we have available within that. And investment in the business is our primary focus and we're happy to stretch that investment where it's the right thing for our long-term interests and good for our shareholders, all with the envelope of obviously maintaining an investment grade. So I think when we talk about share buybacks and share issuances under the DRIP or whatnot, those are all, I'll call them, quarter-to-quarter type decisions and things that can move around a little bit, but I wouldn't expect any material departure from the EBITA which you've seen from us for the last few years.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, I would just add that capital allocation and priority is the key for us as a management team and you'll see us -- that's why we are investing in our growth businesses where we see strong return like Business Network Services. You heard Brad mention both the exciting product launches that we announced this quarter. Jay has mentioned DOCSIS 3.1 and we've talked a lot about the capital that we're investing in our ViaWest business as well.

Jay Mehr
President

Great. And then I'll take the Home Phone voice question from you. We were in Denver this weekend, we were in board meetings all day today, so I didn't see the CRTC stats. I won't specifically refer to them. Obviously, I understand the Comcast-Verizon announcement. I think it's fair to say if you'd looked at our product road map and where we're headed as a company, that while we are most bullish on broadband and video, we think there are opportunities in voice and we're exploring industry developments and other developments along with our WiFi strategy and things that we're doing on the Shaw Business side and figuring out what the appropriate go-to-market is to reenergize IP voice product. And so we're -- we share your view that there're opportunities in that space for Shaw.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. So just to follow up on that. Maybe you can -- I mean, is your WiFi coverage broad enough to launch something like some of the cable companies in the U.S. where they launch their own exclusive WiFi wireless network? So far it hasn't worked great, but I mean, is that the way you're thinking? Or more offering a combined WiFi plus -- full wireless offering? Because, as I mentioned, the CRTC said that 20% of Canadians have been exclusively relying on wireless this year versus 14% on their landline phones. I mean, do you need to participate in that broad direction to be able to compete in the marketplace?

Jay Mehr
President

Yes, I don't disagree with some of your comments. And we do have an exceptional WiFi network and we're building elements on top of that in terms of our next products and services, which I think make it quite exciting. We think there's -- we don't think you can look at this business through the lens of the legacy products and services. We think you need to look at the business through the lens of cloud-based services and next-generation IP services. But I mean, I really can't go further than that without signaling something that would be -- we're not in a position to signal.

Operator

The next question is from Robert Peters of Credit Suisse.

Robert Peters
Crédit Suisse AG, Research Division

I think -- just touching earlier on your comment around the kind of plus 2, minus 10 on the simple free cash flow for ViaWest. Just kind of looking at the guidance for next year, that implies some healthy growth in that section of the business, which I think has been consistent with your commentary. I was wondering if you can kind of maybe give us an idea how much of that growth is driven from the new facilities that have been opened up this fall versus any kind of future plans or growth that exists in facilities?

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I mean, we are in the process of -- we just opened in July the Oregon facility, and you've seen obviously the strongest booking precommissioning of that facility and obviously very good demand in the very first couple of months of the quarter. So it will be obviously a positive in terms of how we look at our 2016 and beyond. We see continued strong demand within the existing facility. So within that approximately $100 million of U.S. capital that's being spent this year, we are building a new data center in Dallas and we're augmenting additional -- our existing footprint of data centers as we see continued growth. So that's largely where that capital is allocated to in the 2016 forecast.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, the capital guidance that we gave for Business Infrastructure Services is basically all in the U.S.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

The Calgary one data center has essentially been completed.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, it was about $34 million in '15, roughly $24 million of that, I think, was in the fourth quarter of the $70 million that was in the fourth quarter. So that's largely behind us. It will really be some small incremental associated with customer acquisition.

Operator

We have a follow-up question from Drew McReynolds of RBC Capital Markets.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Nancy, you had talked in previous quarters just about potential M&A within ViaWest down in the U.S. Just wondering if you can update us on just dynamics, M&A dynamics, in that space in the U.S.? Obviously, we'll hear a little bit more in early December on this, but just wanted to get your thoughts.

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes. No, demand -- it's a busy market. I'm sure you watch some of the transactions that have happened over the last several months. '15 was a busy year. It continues to be. I think we're a very, and always have been, a very disciplined company as we take a look at acquisitions. We did a -- I'm very pleased with the Applied Trust acquisition we did in July. Albeit small, we think it has -- will have a tremendous impact in the service portfolio and we're already seeing very good, early attraction or takedown with our current customer base for those have services. Clearly, security is top of the mind for most companies. And I would say the fact that they're a security assessment and mitigation company, and are an important component in terms of the IT spend today. So we take a look at a multitude of things that happen to be a great tuck-in service that we've been looking at and we continue to take a look on an opportunistic basis for the right type of assets that are going to help us scale the business and continue to expand our footprint.

Operator

Mr. Shaw, there are no more question at this time.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thank you, operator. Thanks, everyone. Talk to you next time.

Operator

This concludes the time allocated for today's conference call. You may now disconnect your lines. Thank you for participating, and have a pleasant day.

PUBLIC

This is Exhibit 03 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

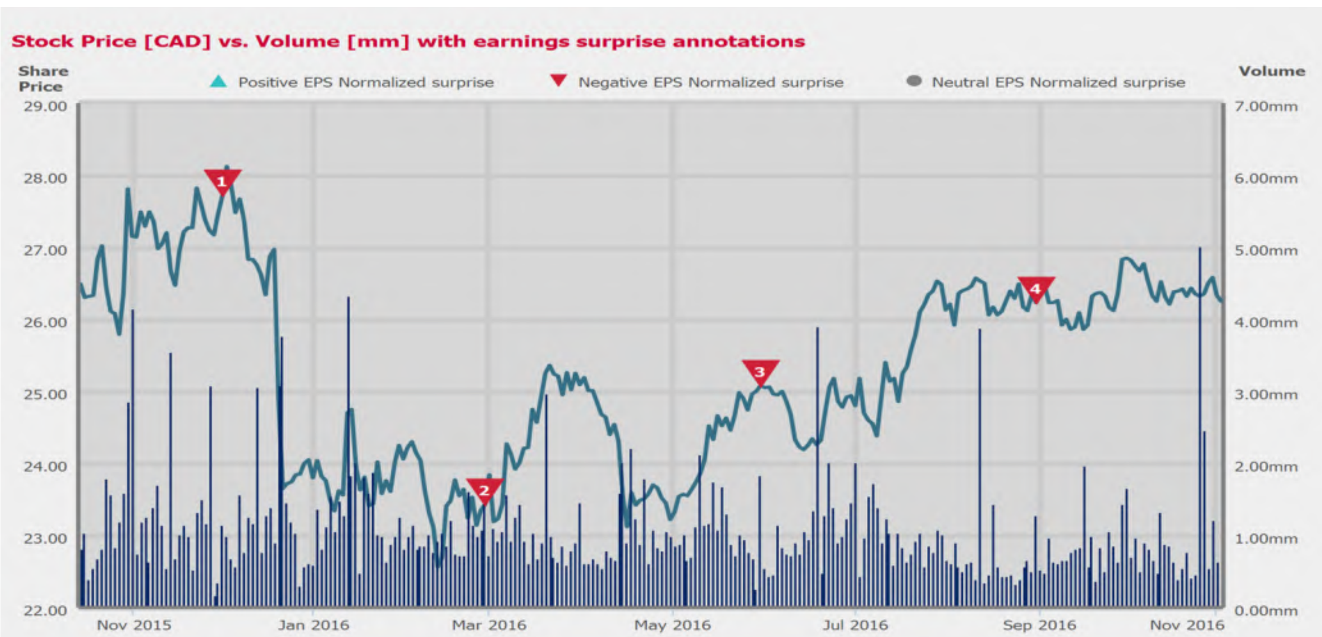
FQ4 2016 Earnings Call Transcripts

Wednesday, November 02, 2016 7:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2016-			-FQ1 2017-	-FY 2016-			-FY 2017-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.32	0.29	▼(9.38 %)	0.32	1.22	1.06	▼(13.11 %)	1.35
Revenue (mm)	1295.41	1306.00	▲0.82	1318.81	4964.01	4884.00	▼(1.61 %)	5292.49

Currency: CAD
Consensus as of Nov-02-2016 6:05 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2016	0.47	0.43	▼1 (8.51 %)
FQ2 2016	0.36	0.32	▼2 (11.11 %)
FQ3 2016	0.34	0.21	▼3 (38.24 %)
FQ4 2016	0.32	0.29	▼4 (9.38 %)

Table of Contents

Call Participants

EXECUTIVES

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Nancy Phillips
Executive Chair of the Board & Co-Founder

Vito Culmone
Former Executive VP & CFO

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Gregory William MacDonald
Macquarie Research

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Peters
Crédit Suisse AG, Research Division

Robert Goff
Echelon Wealth Partners Inc., Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to Shaw Communications Fourth Quarter and Full Year Fiscal 2016 Conference Call. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator. Good afternoon, everyone, and thank you for joining us today. With me today are members of our senior management team, including Jay, Vito, Alek and Nancy. 2016 was a transformative year and represents a very deliberate pivot in the strategic direction for Shaw towards long-term sustainable growth. The acquisition of WIND provided a critical piece to our converged network and growth strategy, as customer demand for a truly mobile product continues to increase. We completed this transformational shift with the sale of Shaw Media assets on April 1, crystallizing substantial value creation since initially acquiring the assets in 2010. We believe the strategic realignment of our asset base positions us well to compete and grow in the future. We exit 2016 with a solid foundation in place, necessary to execute on our strategic initiatives in F '17 and beyond.

Key among these initiatives is to increase the revenue and operating growth profile for Shaw. Through investments we've made in F '16, our growth services, comprised of wireless, BNS and BIS, are delivering solid results. And our converged network strategy will position us to provide exceptional customer experiences, alongside strategic partnerships with best-in-class technology providers. We have solidified our partnerships with the likes of Comcast, Cisco, Nokia and BroadSoft, enabling us to introduce unique and compelling platforms to both our consumer and business customers. We are excited about our strategic partnership with Comcast and Cisco. And in F '16, we launched FreeRange, our TV e-application, representing the first milestone in our NGV road map.

We continue to work closely with Comcast on the deployment of the X1 video service, which will be deployed across our footprint throughout fiscal 2017.

Nokia is our single source provider of our wireless network equipment, where we secured a very attractive fixed-rate contract under wireless LTE upgrade that is currently ongoing. And we are partnering with BroadSoft and Meraki to support a new managed business product offerings, such as SmartVoice, SmartWiFi and SmartSecurity. In August, we launched WideOpen Internet 150. This ultra-broadband service is available to over 90% of our footprint and capitalizes on our network competitive advantage. The launch of Internet 150 during the quarter helped contribute to our Q4 Internet results.

Consolidated RGUs, including wireless net adds of approximately 40,000, was positive as we added over 8,000 RGUs in the quarter. Considering the wireless opportunity in front of us, the initial success of WideOpen 150 and excitement and anticipation regarding the introduction of our XFINITY TV product, combined with our growing percentage of customers taking our 2-year Value Plans, we clearly have momentum heading into F '17 with further opportunities to grow RGUs and reduce churn.

I will now turn it over to Vito to go through the financial results and provide more details regarding F '17 guidance.

Vito Culmone
Former Executive VP & CFO

Thank you, Brad. Indeed it's been a very busy and exciting year for us. The reported consolidated results for the quarter include revenue of $1.3 billion, up 15.5%, and EBITDA of $549 million, up 4.6% on a year-over-year basis. Adjusting to exclude wireless results, revenue in the quarter for the combined Consumer, BNS and BIS divisions was up 2.2%, while EBITDA declined 1% compared to a year ago.

Looking at the full year results. Consolidated revenue of $4.9 billion increased 8.9% and EBITDA increased 3.8% to $2.1 billion. Excluding Wireless and Media for the full year, revenue increased 2.6% and EBITDA increased 0.9% compared to fiscal 2015.

Diving into the divisional details. Consumer revenue of $938 million in the quarter was comparable to the prior year, while EBITDA of $418 million declined 3.7%. For the full year, Consumer revenue of $3.75 billion was also comparable to fiscal '15, while EBITDA decreased 1.1% to $1.67 billion.

Flat top line results due to RGUs loss is essentially offsetting the impact of the rate increases combined with increasing -- combined with increased operating expenses associated mainly with the NGV and programming costs as the primary drivers -- are the primary drivers for both the quarter and the full year Consumer results. BNS results for the quarter include revenue and EBITDA of $140 million and $70 million, up 5.3% and 4.5%, respectively, over the prior year. Full year reported revenue and EBITDA grew 5.4% and 3.5% to $548 million and $265 million, due primarily to Consumer growth. Core revenue and EBITDA are both up approximately 7% in fiscal '16, which excludes the tracking and broadcast businesses.

Strong Wireless results in the quarter include revenue of $148 million and EBITDA of $29 million. Compared to Q3, revenue is up 12% and ARPU in the wireless group increased over 3% to $37.40. For the 6-month period included in our fiscal '16 results, Wireless contributed $280 million in revenue and $59 million in EBITDA. And we expect the Wireless division to continue to drive growth in fiscal '17.

BIS continued to deliver healthy and predictable results. Reported revenue and EBITDA for the quarter was $86 million and $32 million. Compared to Q3, revenue was flat while EBITDA declined approximately $1 million or 4.5%, excluding the impact of foreign exchange.

The softness in Q4 compared to Q3 is driven by 2 factors: one, the anticipated departure of a single-tenant data center; and secondly, seasonal increase in utility costs. It's important to note that on a full year basis, Business Infrastructure Services delivered organic revenue and EBITDA growth of approximately 12% as customer demand continues. Consolidated capital expenditures in the quarter and for the full year were $386 million and $1.2 billion. The increase in the current quarter compared to a year ago was due primarily to the addition of wireless investments of approximately $70 million in Q4.

Free cash flow in the quarter was $9 million and $482 million for the 12-month period, which includes approximately $132 million in free cash flow from discontinued operations. We delivered net income in the quarter of $154 million or $0.31 per share, which is a decrease over the prior year due primarily to a nonrecurring gain on the sale of the Spectrum licenses recorded in Q4 2015. Net income for the full year was $1.2 billion or $2.51 per share compared to $1.80 per share in fiscal 2015. The increase in the current year was driven primarily by the gain on the sale of the Media division, partially offset by various other nonoperating losses.

Let me take a moment please and address shomi. As many of you are aware, on September 26, 2016, subsequent to our August 31 year-end, shomi announced that it will be winding down operations effective November 30, 2016. In fiscal '15 and fiscal '16, we have recognized total equity losses of $108 million. Further, in Q3 of fiscal '16, you'll recall we reported an additional $51 million impairment.

In the months to come, we expect to incur additional costs in relation to the wind down of up to $120 million as noted in our subsequent event note. And up-to-date, provision for these costs will be reflected in our Q1 fiscal 2017 results.

Let me now turn to the particulars of our fiscal '17 guidance. Our consolidated capital guidance, as noted in July when we provided our Q3 results, remains unchanged at $1.3 billion. The increase over fiscal '16 represents the impact -- reflects the impact of a full year of wireless investment. We are introducing consolidated EBITDA guidance to range between $2.125 billion and $2.175 billion. This EBITDA guidance reflects the expectation of healthy revenue gains across all of our business units, coupled with required strategic investments with the view to providing long-term benefits. From a free cash flow perspective, our fiscal '17 guidance is to exceed $400 million.

As previously discussed, fiscal '17 is another year where we will continue to make additional investments and focus on execution. However, our long-term strategy to deliver operating earnings, free cash flow and dividend growth remains our guiding principle.

With that, Brad, back to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thanks, Vito. Before we take any questions, I wanted to acknowledge our employees and customers that were impacted by the devastating fires in Fort McMurray earlier this year. We all came together in support of this tragedy and as the city rebuilds and recovers, Shaw is proud to stand with the community, our customers and our families.

In closing, I also want to say a sincere thank you to all Shaw employees for their hard work and devotion over this past year. As we turn the corner and start a new growth chapter here at Shaw, we will continue to work towards many exciting initiatives in F '17 that are geared towards building a stronger Shaw for the future for all of our stakeholders.
Thank you for joining us this afternoon, and we'll now turn it back to the operator to open for Q&A session.

Question and Answer

Operator

[Operator Instructions] The first question comes from Jeff Fan with Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

First, I'll start off with the Consumer margins. This quarter was a little bit weak. And as you guys pointed out, I think there are a couple of cost items. Wondering how you see Consumer margins going into 2017? Because there's a lot of moving parts with, obviously, price increases putting through, you've got the WideOpen 150 new customers coming in, you've got X1 costs, and then you've cost savings and programming. Wondering how all that sort of flows through at the end of the day to Consumer margins in '17.

Bradley S. Shaw
CEO & Non-Independent Director

Yes, Jeff. Maybe I'll start off and Jay can clean up for me, if I missed anything. Clearly, as we head into -- the Consumer component is a key part of our, obviously, consolidated F '17 guidance. And when you look at the margin activity, clearly a year of continued investment for us, content costs and NGV costs, in particular, will weigh heavily into our cost base as we move forward. The business is doing all they can, obviously, from an operational effectiveness perspective and efficiency perspective. But overall, when you look at the cost picture plus the focus really on subscriber and revenue growth, I would say that you can anticipate some pressure on the Consumer margins as we move into fiscal '17.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Okay. And then the second part of the question -- or second question, really, is around your wireless strategy. There's a couple of different approaches. One, if we look at what T-Mobile with their un-carrier approach in the U.S. is doing, that's certainly one approach. Another approach could be, you could be looking at it as an extension of your cable services into wireless, in which the benefit could come from lower churn of the core business as well as increase in value of the wireless business. Wondering how you can -- how you look at it as you get the upgrade under your belts going through 2017.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Jeff, Alek Krstajic here. Look, we're -- we see the Canadian market a little bit different than the U.S. market. And I don't think that there's a need to do quite as aggressive an approach as what T-Mo did down the States with the un-carrier approach. I mean, you're not going to see me growing my hair long and wearing a pink t-shirt and crashing competitors' parties. But in the same way, I don't think there's a need to be as disruptive. We're having some great growth already with the 3G market -- with the 3G network. And I think, you'll see that kind of thing continue in a much more stable approach to how we attack the market.

Operator

The next question is from Vince Valentini with TD Securities.

Vince Valentini
TD Securities Equity Research

Sticking with the Consumer margins from a slightly different angle. You're getting more customers signing up for these 2-year Value Plans. So obviously, in year 1, they get a pretty good discount on their price, but then they jump up. So is that something you'd expect to see, a good snapback in your margins in 2018, if you keep loading a lot of your customers on 2-year deals?

Jay Mehr
President

Thank, Vince. This is Jay. You've correctly identified this -- one of the major shifts in the marketplace. And to be clear, we've moved fairly aggressively with 2-year Value Plans on the 1st of March and then amplified that with the launch of WideOpen in July. So the benefits of that, in terms of creating symmetrical competition with our primary competitor, you'll recall for the last number of years, we've been asymmetrical where a large proportion of their base and almost all of their adds were on contract and ours were on a month-to-month basis. So there's some cost and some discounting at the front end. I can tell you, having already seen the results from October of the original March, sort of 6-month roll-off, we are seeing the churn benefits that we anticipated from that. Over 90% of our WideOpen Internet 150 of launch adds went into a 2-year Value Plan. And so the churn and margin benefits, I think, are easy to model from there.

Vince Valentini
TD Securities Equity Research

Okay, great. And while I got you Jay, X1. Can you just clarify this for me? So, is there going to be some sort of launch by, say, your second quarter of fiscal 2017? Or are we talking about a delay till next summer before any of your customers can start to see the full boxes and platform?

Jay Mehr
President

Yes, Vince. You've heard our full voice around WideOpen Internet 150. Please don't read into that, that we're underemphasizing any of the 3 elements. Recall, as we talked about the $1.2 billion in capital last year and the $1.3 billion this year, that, that was to complete the ultra-broadband upgrades, DOCSIS 3.1 in all markets, X1 in all markets and the LTE build in all major markets and actually most minor markets. All 3 of those programs are on track and on budget. And we're equally committed to all of them. I think you've seen some sequencing. X1 is, certainly, on-time and on budget, and we couldn't be more delighted with our progress. We're in full trial now and initial results installed in homes have been extremely positive. For sure, we will go outside of the trial and into installing into customers' homes in this calendar year. When you talk about the go-to-market launch, I'm not sure how you'll measure our approach. But we'll be in the open market in at least 1 market in calendar 2016. And it's a big part of our fiscal 2017 plan.

Operator

The next question is from Phillip Huang with Barclays.

Phillip Huang
Barclays Bank PLC, Research Division

I have a question on the wireless net adds this quarter. It certainly appears that the market is responding positively to your network upgrade. I was wondering if you could provide a bit of color on where you're seeing the most significant change, if at all, in your wireless subscriber growth momentum. Is it more Western Canada-driven? That's where you started the 3G equipment upgrade and LTE Advanced. Or is it also more Ontario still?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

It's Alek Krstajic. In absolute terms, the numbers are still -- the majority are coming out of Ontario. If you actually looked at the growth rate, there's a slightly higher growth rate in the West and that you would expect, given the network upgrades by changing out some of the 3G equipment, turning on the extra spectrum we had. It had a pretty profound impact on the performance of the network out West. And I think some of this growth you're seeing is clearly showing that there's a correlation between better network performance and more growth. But for sure, the majority of the subscribers are still coming out of the East.

Phillip Huang
Barclays Bank PLC, Research Division

Right. That's helpful. And is it fair to assume that the number of distribution points for Western Canada isn't where you want it to be? Maybe you can give us an update on your plans to potentially increase your distribution presence out there?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

I can't give you any details on our distribution strategy. But I can tell you that if you're trying to grow a business, you're always interested in getting more points of distribution. And so we've got some pretty smart folks that are working hard to try to make sure that we are everywhere our customers sort of live, work and play.

Phillip Huang
Barclays Bank PLC, Research Division

Got it. Okay. So I guess, my point, are we -- we shouldn't assume that there's going to be a nice or like a spike in distribution points anytime soon for you guys on the wireless side?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

I don't -- I think it's -- I mean, distribution, it's a long game. It's hard to build stores, get leases, all that stuff. So I don't think you'll see any kind of spike.

Phillip Huang
Barclays Bank PLC, Research Division

Right, okay. Well, that's helpful. And then last question for me, on ViaWest. Obviously, if we were to step back and look at your overall business segments, you have significant growth opportunity and investments ahead of you for your core cable and wireless businesses. But ViaWest also has a big growth opportunity, and doesn't contribute a lot of cash flow, it's neutral. Just wondering where you rank sort of your priority when you're looking at the different investment options or, potentially, do you look at ViaWest as potentially following the same path as Shaw Media one day?

Vito Culmone
Former Executive VP & CFO

Yes. It's Vito here. Well, we just absolutely love what Nancy and the team are doing south of the border, and as they help us continue to build our Canadian business. We love the returns, and we think the overall -- and I'll, maybe, ask Nancy and Brad to chime in here as well if they like. But the overall market and the demand and the space that we're creating for ourselves is quite unique and continues to return handsomely for us. So we're -- we are prepared, quite frankly, to continue to invest in that business.
I think a way to think about it over the next couple of years is sort of free cash flow neutral. So the investment profile that -- the cash that Nancy and team generate will be reinvested. And maybe, Nancy, you want to elaborate on that a little?

Nancy Phillips
Executive Chair of the Board & Co-Founder

Yes, I think that's right. I think, we feel, obviously, continue to see very high-demand for our hybrid platform of services. And certainly, many of the security services that we've added here over the last 12 to 18 months. And I would agree entirely with Vito in terms of the capital investment. And we're making the right investments in the right markets. We just brought our Plano facility online here in September. So we've got capacity in a very important market amongst [ph] all of the markets that we represent. So again, we feel very good about the growth profile of the business where we're at and the capital intensity that we have applied for both our colocation and cloud-based platform.

Bradley S. Shaw

CEO & Non-Independent Director

Phil, this is Brad. The only thing I would add in there is as you look at our pivot this past year, and long-term growth and what we're doing, we have 3 key buckets here that are the growth profile. And we're going to make sure we've -- we manage those. And listen, as we pivoted -- there's a little bit of work to do on your strat and how you go forward, and everything that has to happen, and so all that part of the planning process. But we feel that the performance of these -- the 3 growth engines are excellent, and we want to continue to support that. And timing, cadence, and how fast and how far we go really depends on a variety of things, the competitive nature of things, our timing to come to market. And so we feel very good, and we feel we can support them all as we go forward.

Operator

The next question is from Tim Casey with BMO.

Tim Casey
BMO Capital Markets Equity Research

A couple for me. One for Vito. Vito, could you give us a little more color on the free cash flow walk down. If we look at the EBITDA and CapEx guidance, I'm wondering if there's any add backs on cash taxes or pension accruals or anything that gives you confidence you can get to the $400 million. And second, just a comment on what you're seeing regionally in Alberta and Vancouver. There's been some noise about the Vancouver housing market and oil prices have recovered a bit. But just wondering, what you're seeing from a macro perspective there?

Vito Culmone
Former Executive VP & CFO

Yes, I'll take the first one and Jay, you can pick up the second one. Our free cash flow below the line actually gets a little clearer here as the years move on. We've got a pretty significant reduction in free cash flow taxes planned for next year. And that emanates from the fact that fiscal '16, Tim, represented the last year of our partnership deferral pickup. Those rules were enacted a few years ago. So I would guide the Street to a free cash flow full year number of $200 million range. So that contributes significantly to it. And then, obviously, the other significant item there, obviously, is your interest number. And I don't see major -- any significant changes here on the interest line through the year. So you can plug in a $300 million range number there, which is very consistent with where we landed. We've got $400 million of bonds coming due in March. And when I look at the fiscal '17 year from where we're standing right now, obviously, it doesn't have any new financings in there other the potentially to refinancing of that. But other than that, of course, it includes a full year of our course dividend. I remember, you heckling me last quarter for why is course dividends in there, but that's in there of course. And we'll take it from there -- those are the only major [ph] key components. And when you do the math on that, obviously, you'll get to your own number on it. And we got the EBITDA, and we got the CapEx, and we're committed to delivering more than $400 million and as the EBITDA progresses through the year, we'll modify. There's obviously, in the CapEx numbers if there is a significant component of success-based capital and that'll move around depending, obviously, our initiatives are proceeding.

Tim Casey
BMO Capital Markets Equity Research

Just to confirm though, Vito, that free cash flow, does it include the Corus dividend as if they were paid in cash?

Vito Culmone
Former Executive VP & CFO

That's correct.

Jay Mehr
President

And then picking up on the macroeconomic question, I think, Tim. I mean, I think it's clear and those of us who live in and work and raise families in Calgary understand the economic environment. It is, as you can imagine, tough particularly in the small business segment, but throughout the entire economy. And obviously, no business, including ours, is immune to that. Clearly, Fort McMurray is going through a normal period, although tremendous results in that community to rebuild. There are parts of Alberta that are similarly struggling. We're holding up fine in Edmonton and Edmonton seems to be holding up well. The British Columbia market is very strong from a macroeconomic point of view. Of course, in our business, it's a very monthly bill price-sensitive market in Vancouver, which is just a reflection of the nature of Greater Vancouver and the relationship between incomes and housing costs. So while the overall economy is performing very well, I think it's -- lots of attention to monthly bills and a very strong response to WideOpen Internet 150 in Vancouver, I think, for those reasons.

Operator

The next question is from Aravinda Galappatthige with Canaccord Genuity.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

With respect to the LTE rollout, obviously, you're targeting year-end 2017. It's a fairly rapid rollout when you think of some of your peers in the past. So I was wondering if you could touch on some of the main sort of challenges in terms of -- logistically, in terms of achieving that time line. And also I was wondering related to that, if you can sort of touch on your level of satisfaction with handset availability for AWS-3.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

So on the first question. Look, the team that's rolling this LTE network out has done this. We've done this a whole bunch of times. I mean, Brian O'Shaughnessy was the Head of Technology at Bell Mobility back in the day. And then, we did this again at public mobile, and now we're doing here at WIND. And so we're very confident with the time lines that we've outlined that will bring this network build in on-time and on budget. Otherwise, Brad will be very mad at me. So we're very confident about that. And again, there's -- none of this is rocket science. As -- with respect to your question on handsets, look, we're seeing -- we've got visibility on a number of handsets that are going to be available by the time LTE launches. The chipset, that same question is the band 66 chipset from Qualcomm and a number of the handset manufacturers are incorporating that into their roadmap. So we're quite confident that by the time we turn on the first LTE locations, that we'll have handsets available.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Great. And just with respect to the CapEx side, obviously, you're having elevated -- somewhat of an elevated here in terms of CapEx for obvious reasons. But as we think beyond 2017, I know that you can't discuss numbers, but very generally directionally, how should we think about the post '17 CapEx levels? Obviously, on one hand you have the LTE rollout concluding and there are some savings there. And then you're, obviously, stepping up in terms of your broadband upgrades. Should we expect the moderation there as well as we think beyond '17?

Vito Culmone
Former Executive VP & CFO

Yes. I'll start it off and open it up to the team, obviously. Clearly F '17 reflects a bit of a spike related to the wireless and incorporating, obviously, the LTE in our wireless numbers. So as we move forward into F '18, I think, you can expect the wireless group to come off a little bit, still fair bit of bill to do there, but probably a peak there for wireless. Overall, I think -- again, I think you see the theme here, for us, which is all about revenue and growth and investing in key initiatives and ensuring that all of our customers are getting great value and just a great service across the board. We clearly understand and are committed to free cash flow growth and free cash flow growth comes with, obviously, revenue and operational EBITDA growth primarily. So I think it's early to call it a peak necessarily. But clearly, committed to free cash flow growth here as we move forward into F '18, F '19, beyond the F '17 guidance we provided.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

And maybe building on what Vito just said. To be clear, we've been very transparent that the $1.3 billion that we released for this year will complete virtually all elements in all of the major and medium-sized communities for LTE, the rollout of X1. And not just the ultra-broadband rollout of Shaw Internet WideOpen, but the DOCSIS 3.1 rollout that makes the gigabit future possible in all of our major markets. So we certainly disclosed that so that you can see that the money is going towards significant transformational investments. Throughout, if you look at both F '17, including X1 rollout, and F '18, the role of success-based capital is something that's really hard to predict over many years. Obviously, we were planning on -- I think, you've heard loud and clear, that we're planning on growing the business and growing the business comes with success-based capital. So I think it's that, that is preventing us from giving multiyear information is what happens with success-base over time.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

And just to follow-up across the line, quick question. Vito, did you -- on the cash tax guidance, do you mind repeating that, please? Did you say a $200 million pickup year-over-year?

Vito Culmone
Former Executive VP & CFO

No, absolute number of $200 million for F '17.

Operator

Your next question comes from Greg MacDonald with Macquarie.

Gregory William MacDonald
Macquarie Research

Just a clarification question. The CapEx for wireless that's embedded in the $1.3 billion, is that -- can we just deduct that, that's $150 million or it just speaks about what's left in the original guidance on what's being spent on wireless to do the build out? Or is there possibly more than that?

Vito Culmone
Former Executive VP & CFO

It's a little higher than that, Greg. But there's normal capital in the business that runs through, but you're not too far off the range.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

The math on the build capital is right. Of course, what you're missing in that is there's wireless maintenance and other wireless capital, which is a massive number, but you've to net that up, which is a regular ongoing piece, right?

Gregory William MacDonald
Macquarie Research

Right, I got that. But there's no expansion beyond the original intended?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

That's right.

Gregory William MacDonald
Macquarie Research

Okay. A question on DOCSIS 3.1, because it was mentioned in the press release, not sure if I missed something because, I have to admit, I didn't get the chance to read through the release fully. But timing, could you comment on timing? When you're going to be 3.1-ready? And on marginal investment that's necessary for that. I know, Rogers has made a big deal, but it's only $50 a home pass. But I think, we all know that there is some spending on the network component to get to a point where you can actually say $50 a home on the device. Can you give some color around that?

Jay Mehr
President

Yes, I mean, my suspicion, and we haven't had a discussion on this particular point, is that I think you're correct. I'm assuming that $50 is the incremental cost on the Gateway in the home for DOCSIS 3.1. And I think that math suggests that your network upgrades, node splits, CMTS conversions to CCAP are kind of table stakes in the conversation because we'd do that anyway. If that's how you calculate it, then we think that's right. For sure, and if you look at our converged network strategy, our converged network fiber deep strategy is in service of the DOCSIS 3.1 and Gigabit Internet and all the things that come with that. So all that is built into our long-term plans. So I'm not sure we can give you too much, except to say that DOCSIS 3.1 will be available to the vast majority of customer homes by the end of F '17.

Gregory William MacDonald
Macquarie Research

I guess, Jay, the way I'd ask it is, is there any outsized spending on the node splitting, et cetera, component of it to be DOCSIS 3.1-ready? Or has that -- is that sort of just a normal course, and we're not seeing a spike this year for that?

Jay Mehr
President

Yes, I don't mind being transparent because I don't think it's about storage. To be clear, we're doing about 25% more node splits than we would've done on average in the last 5 years. I don't think that's a particularly material number that shifts much in the model and node splits are only one small piece of the converged network that we're building. But there is increased activity of an extra 25% fiber nodes is increased activity.

Gregory William MacDonald
Macquarie Research

Okay. And is there anything to say on continuation of that spend through '18 and '19? Or are you just not going willing to talk about those years? I guess, what I'm asking overall is where are we in the CapEx cycle on cable network spending? Are we at the peak in 2017 or not?

Jay Mehr
President

The total network spend in terms of the cable network upgrades. I mean, you're looking at the $1.3 billion, right? And there's an awful lot on that on CCAP space. The total network spend is a 1/6 or 1/7 of that total number. And there are ups and downs. I would think if you took a 5-year rolling average, I don't think you see -- you'll see material shift against the 5-year rolling average.

Vito Culmone
Former Executive VP & CFO

Yes, I think you'll see consistent spending on the network side of things there. They're sort of reflected in our F '17 base, plus or minus 10% on it. But as Jay said, overall, relatively -- I wouldn't say small, but is significant in absolute dollars, but relative to our overall capital guidance, probably third, fourth, fifth largest single bucket.

Gregory William MacDonald
Macquarie Research

Okay. That's helpful. And on timing on sort of ready to go with DOCSIS 3.1?

Vito Culmone
Former Executive VP & CFO

You said in the fiscal, right?

Jay Mehr
President

Yes, I said everywhere that matters in the fiscal surmise from that. And I think you've read from other players when they're going to be ready, we're going to be right there. So you'll certainly see some product offerings next spring.

Operator

The next question comes from Maher Yaghi with Desjardins Securities.

Maher Yaghi
Desjardins Securities Inc., Research Division

So can you help us understand the way you're looking at your handset subsidy model for wireless? When we look for the end of your upgrade cycle for LTE, and given that handsets that -- the handset cycle that was launched this year did not include Band 66. I'm trying to understand, most, if not all customers, who want to benefit from your LTE customers will require a new handset. I'm trying to figure out -- I'm trying to wrap my head around your handset subsidy and what is that going to imply in terms of CapEx allocation?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Thanks for the question. Look, I think it's too early to get into discussing what -- in fact, I wouldn't discuss what the subsidy strategy will be around handsets. What I will say is that, I don't think this is any different than what every other carrier has gone through in the past when they've upgraded to LTE. And if people want to take advantage of the benefits of a new network, they have to get a handset. What we've seen happen though is the cost of handsets is continually decreased. And I think the availability in calendar 2017 of low-priced Band 66 handsets will make it very simple so that I don't think there's any major hurdles to overcome on this issue.

Vito Culmone
Former Executive VP & CFO

Yes, I would agree, Alek. I mean, as we do our sort of longer term projection, it's not capital, Maher, but it's working capital. If you think about the cash that you'll obviously the pay for the equipment and then whatever whether the customer is on a tab [ph] or a tab boost [ph] program, but not overly significant if we proceed with the existing sort of model.

Maher Yaghi
Desjardins Securities Inc., Research Division

Right. So I don't want to, I mean, I know this is something we'll probably be talking about next year. But just in terms of the model itself that we -- we're seeing more and more handset lifecycle being extended. So in order to get a customer to switch, it's going to be requiring more upfront payments. When you look at your cash flow programs for beyond 2017 in addition to the CapEx cycle for network upgrade on cable and ViaWest growth, et cetera. When you look at your capital allocation, it all is within the free cash flow metrics that you're producing? Or I mean, maybe trying to understand long term, how did that structure -- is going to look like in maybe 2018, 2019?

Vito Culmone
Former Executive VP & CFO

Yes. And maybe we're ahead of ourselves and happy to take it off-line. Maher, it does start with what's our customer proposition and how do we want to position ourselves in the marketplace. Is it something different than today? Or what does that like and as you said, there's a lot moving pieces. So I think as the commercial team works through that, we'll obviously be part and parcel of what's the potential implication or consequence of that. But we'll let the commercial guys sort of lean in and develop their strategy and do their work.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. That's fair. And just my last question is on your guidance. As I look at your consolidated guidance, and I know you have not broken up the guidance by segments. But are there any segments that will show trends in terms of growth that is different -- materially different in 2017 versus what you saw in 2016, when I look at Consumer Business Network Services or Business Infrastructure Services?

Vito Culmone
Former Executive VP & CFO

That a tricky question. Listen, we're -- when it comes to BNS, BIS and wireless, we really like what we're seeing. Obviously, with Business Infrastructure Services, F '16 over F '15 had the impact of INetU. Those growth rates will moderate as we move through F '17 over F '16 and obviously F '16 also reflected the favorable foreign exchange. But double-digit revenue EBITDA we're very, very comfortable there. We like what's happening in Business Network Services. Wireless, we're going to obviously fall -- we're not going to give you guidance on what we see the wireless business doing. But we like what we see there. So to answer your question, no fundamental changes in the health and if anything, on the front foot across those 3 business units and the investment on the Consumer side, as we said.

Operator

The next question comes from Rob Goff with Echelon Wealth Partners.

Robert Goff
Echelon Wealth Partners Inc., Research Division

Actually 2 questions. The first one will be a little backward looking. Could you address the level of price increases that you took in August? And then the second question would be, you had talked to the take-up rates on the 2-year packages. Could you repeat what that level was and whether or not you sort of have a steady-state percentage that you would like that to be at?

Vito Culmone
Former Executive VP & CFO

You want me start with what driven [ph]? Yes, August, about 95% of all our Consumer cable experienced an increase that I -- you don't -- I'd say that Internet increased $2 to $3 and video increased $3 to $5. So when you look across our customer base, maybe a rule of thumb would be 3/4 of our customer base will experience a bill increase of $3- to $5-ish cover that -- I mean, you're good with that, right?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Yes.

Vito Culmone
Former Executive VP & CFO

$3 to $5. That's sort of the range of what we did in August. Obviously, all of that is public information. Any additional color on that, Jay?

Jay Mehr
President

No, just to say that the response has been consistent with previous years. Conversation rate, consistent with previous years.

Vito Culmone
Former Executive VP & CFO

And sorry, the second question was around 2-year plan?

Robert Goff
Echelon Wealth Partners Inc., Research Division

Yes, what the -- I just didn't quite get what the current take-up rates were and then the follow-on there was, is there a level that you would like to see in the marketplace taking the 2-year take-ups?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Yes. So I mean, I think what we wanted to do was create an environment with symmetrical competition and where they need to pivot the growth by reducing our churn. And I would say, we're achieving both those objectives and like the results so far. As a design principle, we would like to have more than half of our customers overall, of our gross adds to join us on Value Plans. I think it's fair to say we've been achieving that numbers. From a competitive perspective, I mean, we're happy to play. It's clear that the shift in the competitive trajectory was not understandably being well received by some of our competition. And they've got more aggressive outside of service agreements and so that's okay too. We're trying to create symmetrical competition, and we're happy to play in whatever space makes sense. So I think those are sort of high-level design principles that can help you, Rob. But they're certainly not guiding and that we're married to them. We're pretty excited about what's made possible with the combination of ultra-broadband powered by DOCSIS 3.1, with the launch of X1 and the arrival of wireless. And so we're prepared to play in the competitive environment in order to change the competitive trajectory from the historical levels.

Operator

Your next question comes from Robert Peters with Crédit Suisse.

Robert Peters
Crédit Suisse AG, Research Division

Just wondering, when we look at the cable side of things and the costs associated with the current ramp up of FreeRange TV, just wondering if you can kind of quantify or give us maybe some idea of how much of those kind of directly overlap with the X1 spending.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Yes, in terms of costs, to be clear, when we talk about next-generation video or X1 costs, we're talking about the whole program. And regardless of whether or not it's paid on an operating maintenance spaces or license fee or whatever the piece of that is, so we conclude -- we consider free range in X1 that will be one bundle [ph]. We disclosed that in fiscal 2017 that was roughly $75 million, which broke down $25 million in OpEx and $50 million in CapEx.

Vito Culmone
Former Executive VP & CFO

That was F '16.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

That's F '16.

Vito Culmone
Former Executive VP & CFO

Yes.

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

And then in F '17, the total amount is about the same, $75 million, with the numbers reversed $50 million going into OpEx and $25 million in CapEx. We said that a quarter or 2 ago, and we got cost certainty. So that's how things are unfolding.

Vito Culmone
Former Executive VP & CFO

That's great.

Robert Peters
Crédit Suisse AG, Research Division

Perfect. And maybe just a question maybe on satellite. When you look at the satellite business, I know as you guys are investing to convert some of the channels from I think the MPEG-2 encoding to the MPEG-4 encoding. And so clearly, there's investment being made there. I was just wondering when we think about sort of longer term I was wondering have you ever disclosed the mix between kind of the rural and the urban subscribers or kind of provide any kind of outside of your footprint subscriber base?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Yes, I don't know that we've done sort of by province disclosure. We've certainly disclosed that we would consider 2/3 of our base to be rural and that's consistent and very much how we think about the business. The business is performing well and has had some general stability. A reminder to everybody that we have the cabin and camp disconnects that happened in Q1, and that's roughly about 10,000 and you'll probably see them again in Q1, and you'll see a strong spring as cabin and camp connects come on. I think the math of that MPEG-2, MPEG-4 conversion, you'll like in terms of what it means for long-term transponder cost savings and what it does to Consumer margins in sort of years 3, 4, 5. It also brings a modern and significantly improved experience in a number of customers' homes. So I think that's pretty much a no-regrets investment as you see us roll through that.

Robert Peters
Crédit Suisse AG, Research Division

Does the conversion to MPEG-4 open up the ability to do 4K on the satellite? Or is that something where you need a new one launched?

Aleksander Krstajic
Former Chief Executive Officer of Freedom Mobile, President of Wind

Yes, I don't think we're speaking about 4K satellite. I think you're correct in suggesting the capacity available creates optionality and flexibility, and it's something what we've got there.

Operator

Mr. Shaw, there are no more questions at this time.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and thanks, for everyone for joining us. And enjoy the election next week.

Operator
This concludes the time allocated to today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.

This is Exhibit 04 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

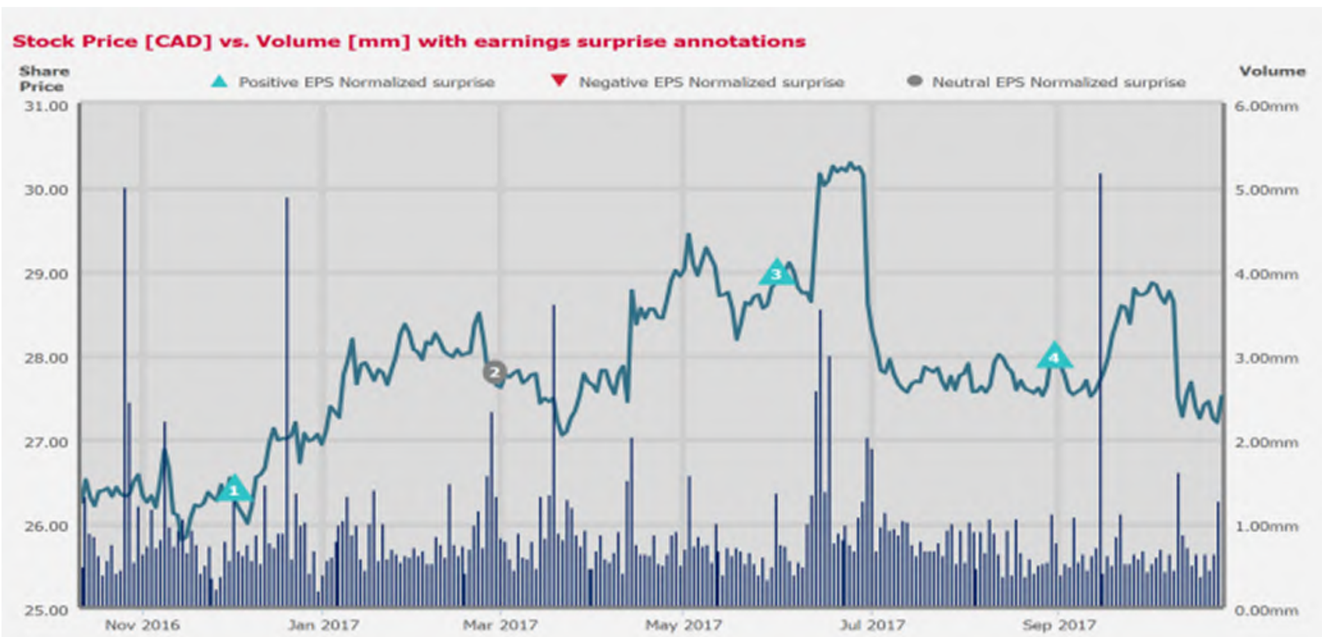
FQ4 2017 Earnings Call Transcripts

Thursday, October 26, 2017 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2017-			-FQ1 2018-	-FY 2017-			-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.28	0.30	▲7.14	0.30	1.28	1.20	▼(6.25 %)	1.29
Revenue (mm)	1240.44	1244.00	▲0.29	1259.88	4891.00	4882.00	▼(0.18 %)	5115.66

Currency: CAD
Consensus as of Oct-26-2017 1:22 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2017	0.31	0.36	▲1 16.13 %
FQ2 2017	0.30	0.30	● 2 0.00 %
FQ3 2017	0.33	0.40	▲3 21.21 %
FQ4 2017	0.28	0.30	▲4 7.14 %

Table of Contents

Call Participants

EXECUTIVES

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Vito Culmone
Former Executive VP & CFO

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

David John McFadgen
Cormark Securities Inc., Research Division

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Gregory William MacDonald
Macquarie Research

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Goff
Echelon Wealth Partners Inc., Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to the Shaw Communications Fourth Quarter Fiscal 2017 Conference Call. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions] The conference is being recorded. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks that actual results could differ materially. Please refer to the companies publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I'll now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and good morning, everyone, and thank you for joining us today. With me this morning are members of our senior management team, including Jay Mehr and Vito Culmone.

Our asset-based strategic partnerships and long-term outlook have never been stronger. We believe our focus in 2017 has enabled the significant progress we have made on our key strategic initiatives. We're excited about the growth opportunities in both our wireless and wireline businesses. We will continue to make the necessary investments to bring both businesses together into a single experience for Canadians, as our converged network becomes a reality over the coming years.

During fiscal 2017, we monetized our U.S. data center business at an attractive valuation and bought additional spectrum from Quebecor. While the spectrum will significantly enhance our current network capabilities, the addition of future low band spectrum remains critical to level the playing field and for Shaw to be a viable long-term competitor in the wireless space. Considering the realities of our spectrum position and how the incumbents have historically secured this key asset required to compete in the wireless business, particularly the low-frequency spectrum, we strongly support the government's proposed approach to the 600-megahertz auction. The framework will help ensure that Canadians have affordable and competitive choices for years to come. While we are proud of the improvements we have made to the Freedom network, a substantial set aside in upcoming 600 auction is required for Canadians to truly enjoy choice in their wireless experience. Almost a year ago, we rebranded WIND with a launch of Freedom Mobile, and today more than 1.1 million Canadians choose Freedom as their wireless carrier.

In fiscal 2017, we completed the rollout of our LTE network and made Shaw Go WiFi available to Freedom customers, creating immediate and tangible improvements to their wireless experience. This investment created a powerful LTE advanced data only network that we are now offering to Canadians in the way that they have not experienced before.

Our approach to the growth of our wireless business has been thoughtful and patient. A highlight of this strategy is that in the near term we will deploy some of our recently acquired spectrum to enable hundreds of thousands of existing Freedom Mobile customers to move from their current 3G data experience to our fast LTE network. This innovative approach to spectrum management will also technically enable millions of Canadians to bring their own devices to Freedom and enjoy the full benefit of our LTE network. And in addition, take advantage of our new Big Gig rate plans. These plans lead the Canadian market in terms of included data value and are perfectly suited for the data-savvy modern wireless customer. Furthering our appeal to this important market segment, we're also excited to confirm that we have finalized the agreement with Apple to bring the iPhone to our wireless customers and we look forward to future announcements on Apple iPhone availability and pricing.

Considering these recent announcements, we believe we are significantly expanding our addressable market and, going forward, there will be continued network and product improvements, including the launch of voice-over-LTE by the end of this fiscal year. In 2017, we set out to successfully change the trajectory of our wireline subscriber trends. We delivered positive consumer RGU growth of 25,000 compared to a loss of 170,000 in the previous year. We believe our strength in broadband will continue to grow as our customers see tremendous value in products such as WideOpen 150 and unlimited data. We also delivered positive consumer video adds in F '17, another significant improvement over the loss of approximately 93,000 last year. In April, we launched BlueSky TV, adding a premium TV experience to our video portfolio. The road map that we have in front of us with respect to technology in the home continues to be very exciting and supportive of our strategy to provide an exceptional customer experience. In F '17, we pushed the boundaries with launch of BlueSky TV and WideOpen 150 with unlimited data to grow our wireline business.

In order to effect this change, we purposely spent on marketing, the customer premise equipment and we drove promotional activity, all of which we can see in the results, both subscriber and financial.

Vito will provide you more details regarding our F '18 guidance, but you can expect a profitable and value-accretive focus regarding our growth initiatives as we continue to make investments to improve both our wireline and wireless businesses.

Maintaining investment-grade ratings remains a priority for us. And our ability to fund investments and continue to pay a healthy dividend is supported by our strong balance sheet -- the strongest balance sheet we have ever had, with leverage under 2x and over $500 million in cash available, our financial strength was enhanced through the strategic investments and divestitures over recent years. This purposely designed has enabled us to fund growth initiatives, including wireless infrastructure and spectrum. That allows us to target a wide variety of segments and respond to competitive market dynamics.

Fiscal 2017 was another year of significant milestones and achievements. Our strategy and focus on execution has never been clearer, and I'm very confident that we are making the appropriate investment decisions to deliver long-term growth and value for all stakeholders, and I'm excited about the opportunities that lie ahead.

I'll now turn the call over to Vito to review the Q4 and fiscal 2017 financial results, as well as discuss our 2018 guidance. Vito?

Vito Culmone
Former Executive VP & CFO

Thank you, Brad. And Good morning, everyone. Before I get into the detailed financial results, I would like to remind everyone that Q4 and full year 2017 results have been segmented into continuing operations, comprised of Consumer, BNS and Wireless, as well as discontinued operations, which would include ViaWest, Shaw Tracking and Shaw Media in some of the year-over-year comparisons.

Our fiscal 2017 reported revenue and EBITDA from continuing operations in the amount of $4.882 billion and $1.997 billion respectively, represented an increase of 8.1% and 1% versus fiscal 2016. As it relates to Q4, year-over-year consolidated revenue and EBITDA from continuing operations was $1.24 billion and $479 million, respectively. Revenue increased 2.6% and EBITDA decreased 6.8%, as growth in Wireless and BNS were more than offset by higher planned costs in the Consumer division.

Let's start with Consumer, as it had the largest impact on this quarter's results. Revenue and EBITDA in Q4 was approximately $937 million and $374 million, respectively. The lower year-over-year EBITDA reflects elevated levels of promotional activity, higher network programming fees, along with increased operational and marketing costs as we continue to create awareness for BlueSky TV. For the full year Consumer revenue of $3.7 billion was down 0.1% from fiscal '16, and EBITDA declined 5% to $1.58 billion as the Consumer segment carried most of the increased cost to launch and service new products, create customer awareness, grow the subscriber base and absorb increases such as programming costs.

We are pleased with the subscriber results in F '17, and we've been very thoughtful and deliberate in our promotional strategies, notwithstanding RGU growth came at a cost. We made the necessary investments to reverse the subscriber trends and launch new products and services that we expect will deliver growth over the long term.

Business Network Services revenue and EBITDA increased 6.8% and 7.5%, respectively, in the fourth quarter. For the full year, revenue -- reported revenue of $554 million and EBITDA of $281 million, increased to 7.6% and 11.5%, respectively, as customer demand for the smart product suite remained strong.

Wireless revenue increased 16.2% to $172 million in the quarter, while EBITDA increased 13.8% to $33 million compared to fiscal '16 Q4. For the year, Wireless generated $605 million in revenue and $133 million in EBITDA. Continued growth in this segment is due primarily to subscriber and ARPU growth as we continue to load customers on our LTE-Advanced network. We're pleased with the growth that Wireless delivered in fiscal '17, and we will continue to build upon this momentum in fiscal '18 and beyond.

Turning to capital spending in the quarter, it increased to $398 million or $61 million higher than Q4 fiscal '16, bringing the full-year investment to $1.225 billion for continuing operations. Fiscal 2017 investments were focused around continued improvements to our network to drive growth, including completion of the LTE rollout, integrating Shaw Go WiFi services and launching voice-over-WiFi. We continued to push fiber deeper into their network, invest in DOCSIS 3.1 and maintain the lowest network congestion in our history as we support a significant number of Internet subscribers taking faster speeds.

Free cash flow, which includes continuing and discontinuing operations for the year was $438 million, down 9.1% compared to fiscal '16, due mainly to higher capital expenditures in fiscal '17, coupled with free cash flow contribution from Shaw Media in the previous year. Net income in Q4 and for the full year was $481 million and $851 million, respectively. The increase in the quarter reflects a $330 million gain on the sale of ViaWest. On the full year basis, net income was lower primarily due to net income from discontinued operations in fiscal '16, partially offset by higher non-operating gains in fiscal 2017.

To sum up the F '17 discussion, let me look back for a moment and touch briefly on our 2017 guidance. As you recall, we provided refined guidance last quarter, which included fiscal '17 EBITDA to range between $2.135 billion and $2.160 billion, capital of $1.35 billion and free cash flow greater than $400 million. By removing the full year impact of ViaWest and Shaw Tracking, which equates to EBITDA of approximately $146 million and capital of approximately $114 million, we delivered reported results in line with the revised 2017 guidance when adjusting for these divestitures.

As we look ahead to another year, we will continue to execute on our strategic initiatives and build a best-in-class converged network. We will invest in enabling the newly acquired 725 megahertz spectrum. We will focus on profitable subscriber growth, and we will continue to introduce compelling products and services through our excellent product road map. As always, we will continue the pursuit of operational efficiencies. With that as a backdrop, we're pleased to introduce fiscal '18 guidance as follows.

We expect consolidated operating income before restructuring costs and amortization growing to approximately $2.1 billion, a year-over-year projected increase of approximately 5%. Capital investments of approximately $1.38 billion, and free cash flow of approximately $375 million. We expect most of the growth in consolidated operating income before restructuring costs and amortization to occur in the back half of fiscal 2018.

I also want to discuss a change in the basis of presentation for fiscal 2018 results. Effective for Q1 fiscal '18, we will be combining the Consumer and BNS divisions, and reporting them as Wireline. Our org design has evolved, and we have integrated the management structures for Consumer in BNS. These changes were made to increase agility and have sufficiencies. As a result, costs, be them operating or network related, are increasingly inseparable between Consumer and BNS. We will, of course, continue to report revenue RGUs and other KPIs for Consumer in BNS. Wireline will remain a separate reporting unit.

Finally as Brad mentioned earlier, our balance sheet metrics are strong and we exited fiscal '17 with net debt-to-EBITDA under 2x and over $500 million in cash. Our overall financial position is more than capable of supporting the required strategic investment and support our dividend payments for years to come. With that, Brad, I'll turn the call back for you for closing remarks.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thanks, Vito. Before we turn to questions, we are excited to announce the addition of Mike Sievert, Chief Operating Officer of T-Mobile, who will be joining our Board of Directors at our Annual General Meeting in January. Mike brings a wealth of wireless experience to our board with a strong background in operations and marketing through senior roles in several organizations, including T-Mobile, Clearwire, Microsoft, AT&T and E*TRADE Financial. While Shaw will continue to chart our unique path in offering a differentiated mobile experience for our customers, Mike's breadth and depth of hands-on experience will be an asset to us.

We appreciate all of our stakeholders' support as we execute our strategic plan. Our long-term growth orientated strategy is built with our customers' needs at the heart of every decision. We have the financial resources and balance sheet strength to continue to purposefully invest with the view of delighting our customers and delivering value to our shareholders.
Thank you, and we turn it over to -- back to you operator for questions.

Question and Answer

Operator

[Operator Instructions] The first question is from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

One question on cable, and one on wireless, if I could. So on the cable side, your guidance for 2018 clearly implies that things will bounce back. I'm wondering if you can flush that out a little bit more. Is that mostly just the increased subscriber volumes you have flowing through or do you anticipate a deliberate move back to more a, what I'd call normal, promotional behavior with less than 12 months at the discounted price and perhaps more normal advertising budget at some point? And would you care to comment on approximately when you think you'd make that shift? And on wireless, congrats on the Apple deal, and your release -- your separate release today says you'll have the vast majority of existing LTE devices compatible with your network. Can you give us a little more color there on exactly when that happens and what devices you were talking about? Is that sort of all the -- the old iPhones, the 7s, the 6s, the SE, and then the old Galaxy devices? Are those all compatible with your network? And if so, when?

Jay Mehr
President

Great, thanks, Vince. It's Jay, and I'll start with the wireless, and a little bit of color on cable, and then Vito can help with some more detail on guidance. Yes, in terms of wireless, we're excited about the next steps. To your specific question, as we reallocate our spectrum from markets launching near the end of this calendar year and some early next calendar year for Bring Your Own Device, we are going to support successfully all of the Apple devices you listed, the Samsung Galaxy you listed, and the vast majority of LTE devices. In simple terms, an LTE device that works in AWS-1 will be a Bring Your Own Device opportunity for Freedom. And I think you can appreciate that's a major shift for us since we build out our LTE network. So your assumption is right. All those phones will work, which is great news. In terms of cable, yes, I think you -- look, we decided that we are going to purposefully shift the RGU environment after many, many years of not having success in the marketplace. And we're clear that we did what was required, including investments in marketing and cost of goods sold and some discounting. I think if you looked at our approach this year, it's going to be a more balanced approach as we kind of pivot from share to share of wallet. And you'll see that throughout the year. You'll see Q1 will look not all that dissimilar to Q4, and then as the year unfolds, we'll see significant improvement. Some of the moves you are anticipating in the marketplace, you'll probably see, but I don't know that it's helpful for us to give you specific timing. Do you want to add?

Vito Culmone
Former Executive VP & CFO

Yes, thanks, Jay. I think, Vince, the way you've characterized and the way Jay characterized is accurate. When you look at the back half of 2017, you see an increased cost profile. And I think the 2018, you will see sequential improvement in bottom line results and year-over-year comparison. And that's driven by the timing of the cost both in 2017 and as we head into 2018. And the effect of the revenue base. The revenue, you talk about the RGUs and how they flow through, the pricing opportunities and also the promotional plans. I mean, I think the only thing outside that is when you look at our Internet, in particular, we really see a continued opportunity to migrate customers and people love the value of our packaging and the [congestion] of the network is amazing. It's a real strong opportunity for us to expand that revenue pool as we move through.

Operator

Our next question comes from Drew McReynolds of RBC.

Drew McReynolds

RBC Capital Markets, LLC, Research Division

Maybe one for you, Vito. Just on the CapEx guidance, just to break kind of the bucket down a little bit. Can you give us some color just in and around what's going on with the cable CapEx side, just as you had continued to deploy X1? And just on the wireless side, I think you alluded to -- or for spending $350 million to deploy that Quebecor spectrum in the market. Can you kind of quantify how much of that is included in the fiscal '18 guidance?

Vito Culmone
Former Executive VP & CFO

Yes. Maybe I'll start and then, Jay, you can pick up as well. I mean, when you look at the increase year-over-year, the $1,225 million to the $1,380 million that we're projecting, that increase clearly leans on wireless. We're clearly focused on prudent and efficient spend with a view to significantly advancing our converged network platform and really enabling us to profitably offer value-enhancing products as we move forward. Specifically, on the wireline side, the spend will reflect, I'll say, consistent levels of aggregate spend as in F '17 and focused on -- remains on really maintaining our broadband leadership in key markets, and managing both growth and future-proofing our network with fiber deeper. On the wireless side, clearly the F '18 spend reflects investments in both our new and refarming the existing spectrum, but pursuant to the release this morning. And in addition, we will have -- we don't want to -- more macro and small cells and a whole bunch of other components, but we're taking a bit of incremental approach. Don't want to leave the community with a view that the 13 75 necessarily reflects the full deployment of 700 MHz and 2500 MHz, but we think that's the best use of our capital as we move forward. Jay, anything else you want to add? Are you good with that?

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Thanks, Vito. If I can just kind of squeeze one additional one in here. On the wireless strategy. Interesting announcement this morning in terms of Mike Sievert joining the board. You are couple of years into the wireless process. Can you just kind of comment relative to when you started down wireless, has your kind of strategy changed materially? Do you think with Mike coming on board that from a strategic standpoint that, that changes at all going forward?

Bradley S. Shaw
CEO & Non-Independent Director

Drew, it's Brad. No, I don't think so. I think, Mike certainly brings a wealth of wireless knowledge, operations, marketing. And as I said earlier, Canada is a bit different than U.S. and it has different dynamics and a different type of market. And so we need to be responsible into that and make sure we're sensitive to that. But he is going to be a great asset for the board and the family, and we're very privileged to have him. But we wouldn't see anything changing in the strategy.

Operator

Our next question comes from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Just a couple of follow-ups. One, regarding the device lineup. So will you have deployed the low band spectrum as you launch these devices with the iPhone. So I guess, the question is, is it just going to work on the 2500 MHz and some of the refarmed AWS-1? Or there will be low band that's compatible with some of the older devices, older Apple devices? And then the second question is related to just the CapEx. It's great that you guys gave some guidance for '18, but if we look out -- how much do you think the network will be at a place that will allow you to rebrand wireless in [the West] with Shaw after '18 CapEx is done? And can you give us some direction as to what maybe F '19 may look like, given your plans?

Jay Mehr
President

Great. Thanks, Jeff. Let me start in and then Vito can help with some comments on F '19 CapEx. Maybe I'll start with just refreshing our wireless strategy, so that we have clarity and then I'll deal with your specific questions about it. We're taking a step-by-step approach to our wireless business. The first step is, as you are well aware, is we needed to build a LTE-A data-only network, and we've done that and it's working great. The next step was to make it available for Canadians. We're competing with the big 3 who've had the benefit of voice networks that they've built over a 25-year head start. And if we were going to compete as the junior member of the big 4 with the same pricing and packaging as the big 3, I don't think we would have been successful. Quite frankly, our LTE network works great for data and [license] of Big Gig is our way of offering that network to Canadians. So that's Step 2. Step 3 is really creating a handset ecosystem that's available to our customers, which the addition of the iPhone helps a lot and Pixel 2 and now Samsung. We've come a long way and as we launch all those products, I think we'll have handset ecosystem parity. Step 4 is the ability to open up our LTE network, which is a fantastic network to the vast majority of LTE devices, which we're doing through the spectrum refarming, some markets this year -- this calendar year, some markets next. Step 5 is to complete the new spectrum, which will include meaningfully investments in 2500 MHz and 700 MHz this year and certainly some investments as Vito will talk about in F '19. Step 6 is voice-over-LTE and really then bringing that data network to voice. We haven't done anything to improve our 3G voice network. And that's it. And then Step 7 is likely 600 MHz. So while I think -- as you think through the model, I hope you see us taking a very methodical approach to adding value to Canadians and stepping into our lineup. I'll let Vito talk about capital in '19.

Vito Culmone
Former Executive VP & CFO

Yes, Jeff, thanks for the question. I don't know that we really want to get into F '19 capital and give too much guidance around that at this point, because obviously our plans are fluid. I think what Jay's outlined is very, very clear as far as how we're thinking about the steps. I think, Jay, fair to say that's probably an 18- to 24-month path that you just charted there. And we really believe we have a bit of once-in-a-lifetime opportunity here as we step into the wireless side of things, which will -- obviously continuing to support our wireline, but expand the addressable market. Capital decisions, Jeff, aren't necessarily made in isolation. Obviously, we will be looking for EBITDA growth as we move forward here and keeping an eye on the free cash flow. But I think what I can say about F '19 is, as you look at F '18, probably reasonable to assume that we don't have a significant differential as far as on the upside. While at the same time, I don't think there is a step-down coming off of our F '18 projected levels.

Operator

Our next question comes from Phillip Huang from Barclays.

Phillip Huang
Barclays Bank PLC, Research Division

Maybe just go back to device one last time. Just to clarify with the refarming of your AWS-1 by early 2018 across your entire footprint, does that mean the older iPhones such as the 6s and 7 will also work on LTE across your footprint?

Bradley S. Shaw
CEO & Non-Independent Director

Yes.

Phillip Huang
Barclays Bank PLC, Research Division

Okay, that's great. And then quick follow-up on the cable side. Very strong Internet this quarter. TV growth appears to have slowed a bit from last quarter despite some of the marketing and increased consumer awareness of BlueSky TV. Just trying to better understand the difference there, do you typically get more Internet-only subscribers in your fiscal Q4? Are you seeing a little bit more seasonality to the TV growth than Internet?

Jay Mehr
President

Yes, great, thank you. Look, we're excited by the RGU turnaround we had in our wireline business and very, very pleased with our results. That having been said, I think a number of quarters ago we talked about sort of positive video, plus-one video being what winning looks like. And I think we achieved that for the fiscal year. I don't know that there is a lot of advantage driving beyond that, and I'm not sure that we're going to necessarily have a video gain every single quarter. If you look at the big 3 opportunities for our business, by far, the biggest growth opportunity as we've become an EBITDA growth story is wireless. The second biggest opportunity is probably small and medium business. And the third biggest opportunity is broadband and driving broadband revenues. And recognizing the math on 2 and 3 are probably are about the same. So where they fit in the weighting. We think we are super excited about where we are in the video space, and we've got a great offering. As we pivot to a more profitable approach, you might see us -- even give us a few video subs back, potentially in Q1. And I think that we should be able to grow video in the long run. To be clear, video is a tough business and there isn't simple answers to what's happening in the video space today. And you won't see us over chase RGUs at the expense of profitability.

Operator

Our next question comes from Greg MacDonald of Macquarie.

Gregory William MacDonald
Macquarie Research

The question is on wireless subs and mostly I'm looking for a description of the profile, the new subs being added on. It was a decent number, 41,000k (sic) [41,000]. Can you talk little bit about to post-pre -- sorry the post and prepaid mix and the ARPU, more importantly the ARPU mix in the quarter?

Vito Culmone
Former Executive VP & CFO

Fairly consistent, Greg, I mean, we were pleased with the mix of -- maybe just give us a couple of seconds here and I can grab the number for you. ARPU, obviously, we like where people are coming on as we look at our Big Gig plan. I mean we had a, obviously, a sequential quarter-over-quarter improvement and a year-over-year improvement. And the early take on the Big Data, very, very early, we like what's happening. So as we look into F '18, the -- everybody is contributing to our 5% guidance, right. When we look at the businesses, Wireless, Wireline, BNS, Consumer, everybody is participating in the year-over-year EBITDA growth and Wireless is leading again heavily with ARPU improvement being a component of that. Anything else?

Jay Mehr
President

Yes, we can build on that a bit for sure, Q4 is a post-paid story and the vast majority of those adds were in post-paid with nice ARPU gains. If you look at the last 6 days, we've had a really exciting last 6 days in our business, not that volume has sky-rocketed, although volumes are healthy. Since we launched our new pricing, we've had thousands of our customers migrate upward, coming in at the $6 to $7 a month range. And of course, our adds are now coming in above $50 a month in terms of pricing, which is a major step forward for us. So we're really excited about life as a Big Gig and what it means for our revenue mix.

Gregory William MacDonald
Macquarie Research

Great, that's helpful. Then a quick follow-on, if I could. The addition of Mike Sievert on the board is obviously good news. Wonder what this might mean for strategic opportunities for the company. And I'm thinking, specifically, on roaming agreements. Shaw -- T-Mobile has a very high -- well, unlimited. So a very high data cap strategy and it's pretty similar to Shaw, and Shaw has got lots of spectrum and, therefore, the ability to maybe a beneficial roamer for a company like that. Should -- are we getting -- am

I getting too fast forward on something like that? Or is that something that you see as an opportunity vis-a-vis the addition to the board?

Bradley S. Shaw
CEO & Non-Independent Director

Yes, I think we'll always look at opportunities of relationship and when I think -- with T-Mobile, if it works for both companies, that makes good sense. I can't say that there is anything -- a big, long list here of anything that would be significant or things we need to do. But it's early stages and we will see how the opportunities arise as we go forward.

Gregory William MacDonald
Macquarie Research

Are there roaming announcements to be made in 2018?

Bradley S. Shaw
CEO & Non-Independent Director

I don't think so.

Operator

Our next question comes from Aravinda Galappatthige of Canaccord Genuity.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Just a couple from me. First of all, X1, early days, I know, but I was wondering if you share a bit more of your early learnings there. I know that initially you've talked about that as kind of a very good retention rule -- retention kind of a tool. But I also wanted to see what your thoughts are in terms of actually winning subs from competitors with X1. What sort of the profile you see from the new X1 customers? And then secondly, on the wireless side, you laid out a lot of your priorities, very helpful. Just wondering what your thoughts are on the distribution aspect? Are you satisfied with the distribution that you have? Or is that something that you would look to ramp up in the near term as well?

Jay Mehr
President

Great. Thank you, very much. We're excited by what we have seen in terms of BlueSky and the rollout of the X1 platform. I mean, if you think about video subscribers kind of in 3 particular segments, the majority of the market, probably about 60%, is still TV lovers. These are folks that have a TV in a main room in the house, watch a couple of hours TV at night, and are consuming TV in kind of the traditional way you consume TV. TV lovers love BlueSky, and it's created tremendous value in terms of now the integration on Netflix and other services being aggregated. And it's a fantastic product for that customer base and it is driving usage and on-demand and ARPU as you can expect. The other 2 segments are -- increasingly there's much more of a value-conscious video space, that are interested in video at sort of a $20 price point and those kinds of things. And we play a little bit in that space, but that is not really where BlueSky is. And then, of course, there's a streaming space that's dealing with over-the-top services and other services. And there is probably an opportunity for us to move that technology into that space, but we really wanted to launch it, target it clearly at TV lovers and it's getting the -- all of the right metrics and similar experiences to what Comcast and Cox and others have [experienced]. So we are super excited to have it. On distribution, we need to amp up distribution in wireless. We clearly need national distribution with some of the big players and be able -- people have the choice of freedom if they're shopping at the household main retailers. If you think about -- which is certainly going to be a focus and we'll continue to -- in our budget and in our plans continue to ramp up on the distribution model. To be clear, there is also a pivot as we change our pricing and commission, and all of things that happened with the retail model when you do a major shift like the Big Gig. So we're working hard on the implementation of that downstream into our distribution channel. I'm excited about what that makes possible.

Operator

Our next question comes from Tim Casey of BMO.

Tim Casey
BMO Capital Markets Equity Research

Just a question on X1. Can you talk a little bit about your transition from the current deployment to an all IP environment? Is that -- I'm assuming that's in your comments with respect to guidance and whatnot, but just wondering if you could talk -- flesh that out a little bit more, [indiscernible] the actual platforms you will be deploying.

Jay Mehr
President

Great. Thanks, Tim. We're super excited about our X1 road map and very happy with where we are in the road map where we're in full deployment, hundreds of thousands of TVs enjoying X1 today. We also have a step-by-step approach here. So you've seen the integration of Netflix, which is happening with fantastic results in terms of the way customers are using Netflix. You'll see other aggregation launches on that stream. Today, we're doing a hybrid QAM/IP with basically all of your on-demand services being done on an IP and all of your livestreams -- I mean, yes, all of your on-demand services on IP and all your livestreams on QAM -- will launch before the end of this calendar year, likely or beginning of next calendar year. A series of new channels on a linear basis on IP, which will be our first step into IP linear. And then as you walk through calendar 2018, we will be able to move to the full IP architecture. For us, that won't necessarily change the customer experience initially, all that dramatically. The huge advantage, of course, is in success-based capital and self-install, and all of things that, that makes possible in terms of transforming our business. So I think we're on a similar time line to others for [IP] in terms of mass deployment, and that's likely in the second half of next calendar year.

Operator

The next question comes from Maher Yaghi of Desjardins.

Maher Yaghi
Desjardins Securities Inc., Research Division

Jay, thanks for telling us about your wireless plans a bit more and the steps that you mentioned, the 1 to 6, but in those steps, I didn't hear about the timing or the plans about becoming more in line with what's driving consumer behavior in terms of choosing the partner or the supplier of services with a subsidy model? I mean, you guys have -- you can call it a subsidy model, but you have to spend $90 to start getting real savings on handsets with your plans. Can you talk about what you're thinking about implementing, a real subsidy model? And if you do, in which of those steps that you mentioned it would be introduced?

Jay Mehr
President

Yes. Certainly, part of the customer value equation, I hear are comments that we're coming at the market slightly different than others have come on the market. There's -- I didn't call that out as a major shift, because I see that as degrees that we're adjusting as we move into the marketplace. I don't know that you'll see us vary all that materially from what you describe, although it's clearly part of customers making choices. We're clearly super excited about enabling the Bring Your Own Device market, which is getting more and more significant and the opportunity to just move over to our network, enjoy tremendous buckets of data with phones that you already have. So I don't think you'll see us double down on the subsidy model, although you'll probably see greater investments than what you have seen so far.

Maher Yaghi
Desjardins Securities Inc., Research Division

So maybe bring down the level of ARPU that a customer needs to pay to get more savings, is that what you're referring to?

Vito Culmone
Former Executive VP & CFO

Well, Yaghi, I'll kick in here. Obviously, there is a connection between the subsidy and the overall ARPU profile and overall economics, right. So as I think we move through the next 24 months, you will see us continue to tweak and evolve as Jay has described.

Maher Yaghi
Desjardins Securities Inc., Research Division

Do you accept the hypothesis or the theory that the ARPU that you have, which is low compared to other companies out there is due to this specific issue that you're not subsidizing customers in order to get them to spend more with you?

Jay Mehr
President

Yes. Your questions seem to be related. Look, our overall customer ARPU is low today, because we're primarily on a 3G network, competing on the spectrum that was available to us. And there is no question, if we -- to our previous comments, if you look at our business through the lens of the big 3 with all of their free spectrum and their 25 years of sensational operation -- operating margins that they have invested back into their network, there is no question that we have to play the game differently. And you're going to see us play the game differently than the big 3 are playing the game. And I would make the argument that Canadians don't need to me-too. I would make the argument that Canadians need a differentiated wireless service. So I mean, the moves that we're making on our LTE ARPU are very encouraging, and I'm not totally fussed about the 3G base and where that ARPU moves. Those are customers that have made a good choice in terms of where they want to be and the price value relationship they want to play. We're really about building ARPUs for the future.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. And just my last question on the video side. You are looking for TV subs to, you said, decline in the next quarter? Did I hear you correctly?

Jay Mehr
President

Yes. No, what I was refreshing for people that we believe maintaining and growing the video base is what winning looks like, and that's what we said a number of quarters ago and we are not changing that position. I also was saying that we're not going to drive video subs at the expense of profitability, now that we've shifted the market. And I was signaling that as you make pivots in the marketplace, that it takes a period of time for those pivots to flow through to numbers. So we're certainly signaling that we weren't necessarily be up every quarter in video in this fiscal year. And our comments on Q1 -- I mean, we're only halfway through Q1, and we will see where we land. But I don't want people to think that we are driving hundreds of thousands of video subs through this model. This was about creating a fantastic video experience for Canadians and increasing our video subs in a profitable way.

Maher Yaghi
Desjardins Securities Inc., Research Division

So in order to drive growth in your subscriber base on TV, are you looking forward into the IP platform to drive that growth versus just going up and down every quarter, is the IP version, the one that you think will get you to grow that business, the subsidies -- the subscriber base on a sustainable basis?

Jay Mehr
President

Yes. I mean, I certainly understand the question, I would like to reset it with -- to be clear, Shaw is an EBITDA growth story and we're starting this year with EBITDA growth of 5%, which is probably a good start and we're going to get moving. The 3 biggest opportunities are wireless first, absolutely, and then 2 and 3 are probably a tie, small and medium business and the opportunity to grow broadband revenue. We're excited about video because it's a super important part of our business. Do we see dramatic increases in video revenue and video profitability over the next couple of years? I'm not sure that we do. I think that we see some challenges in the economics of video going forward. And it's a part of the story. We're going to look to maintain and, perhaps, slightly grow our video market share. And what happens on ARPU in video is really consumers being in control. And consumers will make the choices they make, and we are in a great position to offer them whatever they want to aggregate with us. So, we're excited about where we are. I think the IP store will not only deliver new experiences to Canadians, including cloud DVR, which is significant breakthrough from any ability to take your content with you, some integration on the wireless side. So there's certainly some upside in that space, but I don't think video makes the big 3 growth opportunities.

Operator

Our next question comes from Rob Goff of Echelon.

Robert Goff
Echelon Wealth Partners Inc., Research Division

My question would be related to the disciplined growth on the cable side. Could you talk to the impacts you've seen from rate increases that were implemented this summer on existing contracts?

Jay Mehr
President

Yes. So Rob, the pricing that we do on existing service agreements is fixed within the service agreement. So to the extent that we make changes on month-to-month pricing, it doesn't apply to customers who are in a service agreement. So, as you can well appreciate, the changes in annual pricing probably has much less of an impact than you would have traditionally seen in the cable business some time ago.

Vito Culmone
Former Executive VP & CFO

Rob, I can add. When you think about the 2-year plans and the flip from year 1 to year 2, we have actually been pleased with the transition and customer behavior as they move from that year 1 price to year 2 price.

Operator

Our next question comes from David McFadgen of Cormark Securities.

David John McFadgen
Cormark Securities Inc., Research Division

I just have a question following up on a comment Vito made about CapEx in 2019 versus 2018. So given the cost to deploy that Quebecor spectrum is onetime in nature, I would have thought that the CapEx profile would go down in 2019 versus 2018. So given you've signaled that it's probably going to be somewhat similar, does that entail some geographical expansion of your wireless network in 2019 to rely less and less on others for roaming or [if] you just provide context as to why they wouldn't be going down a fair bit.

Vito Culmone
Former Executive VP & CFO

Yes, [indiscernible], just to repeat -- is that $350 million number that we quoted, we still feel decent about that, obviously, and probably should at some point not get too specific about certain components and stay at a bit of a macro level. But they're going to -- that spectrum cost and that activation cost, as Jay alluded to, is really over a 2-year period. So F '19 will also reflect a significant amount of spend related to spectrum light-up of that $350 million original estimate.

David John McFadgen
Cormark Securities Inc., Research Division

Will there be some geographic expansion in wireless network? Or you don't really envision that?

Jay Mehr
President

I would -- I mean, as you talk about our multi-year horizon, I think it's premature to announce [indiscernible] various markets. I think you'll see our wireless growth strategy and our EBITDA growth focus on existing markets in F '18.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator. And thank you, everyone. Go ahead, operator.

Operator

There are no more questions at this time. I would now like to turn the call over to Mr. Brad Shaw for any closing remarks.

Bradley S. Shaw
CEO & Non-Independent Director

Sorry about that, jumped the gun. Thank you, everyone, and we appreciate your time. And we're looking forward to getting -- continuing to give you some great updates. So talk soon.

Operator
This concludes today's conference call. You may disconnect your lines. Thank you for participating. And have a pleasant day.

This is Exhibit 05 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

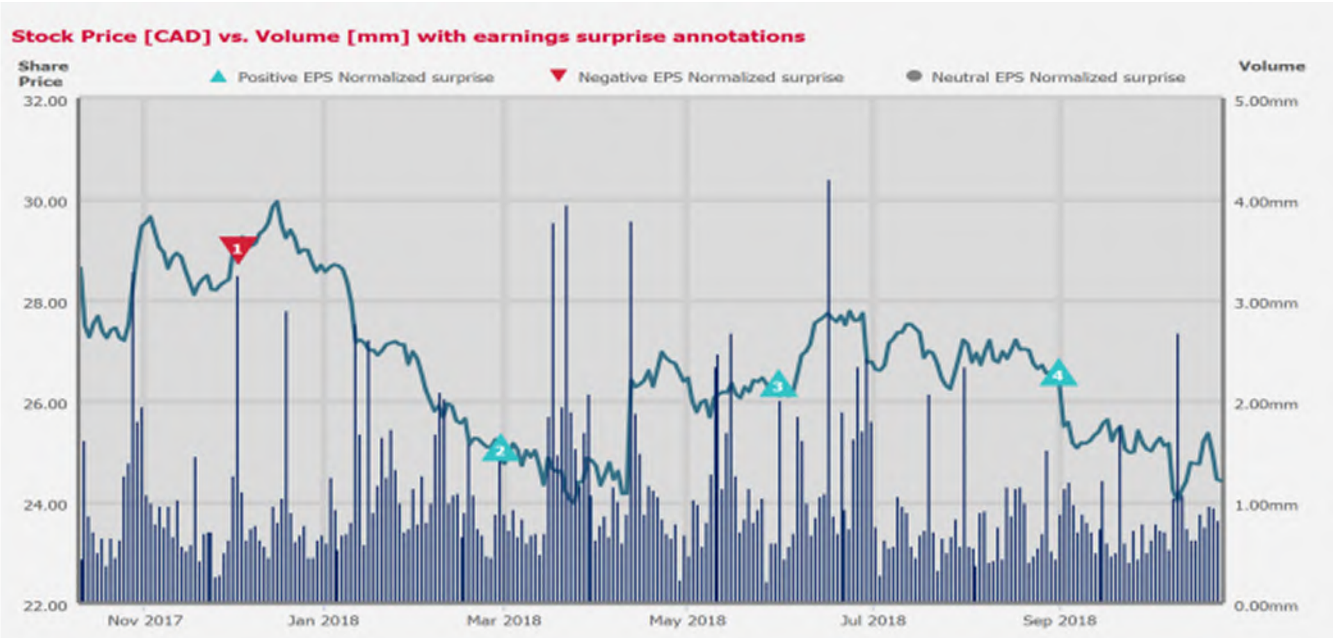
FQ4 2018 Earnings Call Transcripts

Thursday, October 25, 2018 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2018-			-FQ1 2019-	-FY 2018-			-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.35	0.42	▲20.00	0.29	1.22	1.35	▲10.66	1.39
Revenue (mm)	1341.43	1336.00	▼(0.40 %)	1313.68	5234.47	5239.00	▲0.09	5421.73

Currency: CAD
Consensus as of Oct-23-2018 1:39 PM GMT



- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
FQ1 2018	0.29	0.23	▼1 (20.69 %)
FQ2 2018	0.28	0.30	▲2 7.14 %
FQ3 2018	0.35	0.40	▲3 14.29 %
FQ4 2018	0.35	0.42	▲4 20.00 %

Table of Contents

Call Participants

EXECUTIVES

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Paul McAleese
President of Wireless

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

David John McFadgen
Cormark Securities Inc., Research Division

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Goff
Echelon Wealth Partners Inc., Research Division

Sanford Lee
Macquarie Research

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Welcome to the Shaw Communications Fourth Quarter Fiscal 2018 Conference Call and Webcast. Today's call will be hosted by Mr. Bradshaw, CEO of Shaw Communications. [Operator Instructions] The conference is being recorded. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the conference over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and good morning, everyone. With me today are members of our senior management team, including Jay, Trevor and Paul.

I am pleased with the progress we have made throughout 2018 towards our overarching goal of delivering long-term and sustainable growth. Wireless had an exceptional year, with all of our key performance metrics moving in the right direction, including postpaid additions of 85,000 customers in Q4. In 2018, we grew our subscriber base by over 255,000, or 22% compared to F '17, to end the year at just over 1.4 million customers.

Our big data plans, combined with our latest devices available in the market, continue to drive higher quality and higher lifetime value customers to Freedom Mobile. Our wireless service is now even more accessible to Canadians through the addition of 240 locations launched with our national retail partners, Loblaws and Walmart.

As we grow our subscriber base in F '18, we also increased ARPU, particularly in the last half of the year as our Big Gig plan gained momentum, leading to strong ARPU growth of 9% in Q4. Through these results, it is evident that we are delivering a differentiated and sustainable value proposition, and we expect to gain additional wireless market share and continue to grow ARPU throughout F '19. Supporting our wireless strategy is the significant ongoing network improvements that are quickly creating a strong, high-quality network and clearly benefiting our customers. The team has done a terrific job of managing and deploying spectrum in the most efficient way, including the initial launch of our extended-range LTE in Calgary, Edmonton, Vancouver and Southern Ontario.

The extended-range LTE utilizes the 700 spectrum that we acquired last year, and we will further deploy this spectrum throughout our network over the course of F '19. We also launched VoLTE over a wide range of devices, and we'll continue to roll this out to all eligible phones and customers over the coming months, including the iPhone, bringing the total customer base to approximately 800,000 that will be using VoLTE by the end of 2018.

Wireless investments remain a priority as we head into F '19 and continue to grow our subscriber base. In addition to the spectrum deployment, we will also expand our wireless network into new markets this year, with a focus on Western Canada. By the end of fiscal '19, our network will cover an additional population of approximately 1.3 million, and we will start to explore cross-selling opportunities with Freedom Mobile and Shaw wireline customers, using our various touch points to discuss their wireless products and needs.

While we are excited to develop this opportunity, we will focus this year on learning from small-scale trials and taking a thoughtful end-to-end approach.

In our Wireline business, we delivered F '18 results that are consistent with our strategy to focus on profitable growth and stabilize results, and I'm pleased with the significant cost savings that we have achieved during the year. However, I believe we can execute better, particularly with the Internet results for the last 2 quarters have not been representative of the subscriber opportunity through our differentiated broadband experience.

Significant investments and best-in-class technology partners have created a strong and ubiquitous wireline network. DOCSIS 3.1 has been clearly deployed throughout our network, and we are capable of delivering gigabyte Internet speeds.

As we anchor the home with the XB6 modems, we will enable additional IP services such as xFi and the extenders that will differentiate our broadband service from the competition.

In F '19, we will begin deploying a full IPTV experience to our customers, starting in the second half of the year. With this service, we will simplify the installation process, reduce the amount of equipment needed in the home and enhance the ability for customers to self-install. All these initiatives lead to a lower capital intensity in our Wireline business that we believe is sustainable going forward. And our Wireline capital provide -- plan provides the necessary resources to make investments to future-proof our network in the coming years.

Our Business division contributed solid results in F '18, via the growth of our smart products and recent success in the enterprise and wholesale markets. We expect this momentum to continue as we focus on delivering our managed services and targeted strategic verticals.

As I stated earlier, I'm pleased with our fiscal 2018 results, and looking forward, we are focused on the key areas of our business that will drive growth as well as areas that need improvement. We expect that in F '19, our wireless momentum will continue as we execute on our step-by-step operating initiatives.

In Wireline, we will have an internal focus that enables us to transition into a digital-first company and modernize how we work and connect with our customers.

Now, I'll turn the call over to Trevor to go through the Q4 and F '18 results and review our fiscal 2019 guidance in more detail. Trevor?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thank you, Brad, and good morning, everyone. We finished fiscal 2018 on a strong note from a financial perspective, with all business units contributing to Q4 consolidated revenue growth of 7.4% to $1.3 billion and EBITDA growth of almost 17% to $560 million compared to the prior year.

Q4 Wireless revenue grew 45% year-over-year, to $250 million. On a run rate basis, this represents a Wireless business generating $1 billion in revenue, a significant achievement considering our starting point 2.5 years ago since we -- since the acquisition of WIND closed. Strong Wireless service revenue growth of 32% to $167 million in Q4 was driven by ARPU increasing by 9% to $41, compared to a year ago. For the year, Wireless revenue and EBITDA increased 57% and 32% to $951 million and $176 million, respectively, as we continue to attract and retain customers with our data-centered plans and continuous improving network.

In Wireline, Q4 Consumer revenue was essentially flat at $942 million compared to the prior year, while Business revenue increased over 6%, to $145 million. Consolidated Wireline EBITDA growth of 16%, to $516 million, was a significant improvement compared to Q4 fiscal '17 and includes approximately $23 million in VDP-related cost reductions as well as lower marketing and other corporate costs. These results reflect our focus and discipline regarding expenditures throughout the entire organization. For the full year, Wireline revenue was essentially flat, as the marginal decline in Consumer revenue was offset by Business growth. However, year-over-year Wireline EBITDA did increase 2.6% during the year, to $1.9 billion.

As it relates to our total business transformation initiatives, the fourth quarter includes an additional restructuring charge of $16 million, bringing the total provision to $446 million, of which approximately $170 million has been paid to date.

While the employee exits will continue throughout F '19 and into F '20, the restructuring program is substantially done. And in fiscal 2018, we realized combined operating capital savings of $47 million, which was as expected and communicated earlier this year.

In summary, our fiscal 2018 results were largely in line with our expectations and reflect our focus on Wireless growth and profitability and stable financial results within our Wireline business.

Consolidated EBITDA growth of 4.6% and capital spending of approximately $1.37 billion materially met our guidance, while we delivered free cash flow of $411 million that was slightly ahead of expectations.

As we carry this momentum into next year, we're introducing our fiscal 2019 guidance, which includes EBITDA growth to range between 4% to 6% versus F '18, capital spending of approximately $1.2 billion and free cash flow in excess of $500 million. Our guidance in growth range includes the expected impact of IFRS 15, which we'll adopt on a retrospective basis beginning in Q1 F '19. The fiscal 2018 and expected fiscal 2019 results under IFRS do not have any material impact on the guidance we released this morning. However, for the benefit of the investors comparing our F '18 reported results and adjusting for the change in accounting policy, our reported 2018 Wireless revenue will decrease under IFRS due to the fact that we'll be allocating a portion of the subsidy to service revenue, which is amortized over the term of the contract, and we'll also be allocating a portion of the subsidy against equipment revenue, which has an impact at the time of sale, as opposed to today, where we actually amortize the entire subsidy over the term of the contract against only equipment revenue.

The decrease in Wireless revenue will flow through to EBITDA. However, we do gain the benefit of capitalizing and amortizing the commission expense related to Wireless sales under IFRS 15, versus today, where we expense commissions on the date of sale. Despite the changes in accounting, it's important to remind everyone that there's no change to overall revenue and cash -- cash flow under the new accounting policy. We will provide additional details with respect to the impact of IFRS on 2018 reported results when we file our 2018 annual in November and with the release of our first quarter results in January.

Our guidance includes assumptions related to cost reductions that we'll achieve through TVt initiatives, specifically the Voluntary Departure Program. Total savings are expected to amount to $140 million of OpEx and CapEx in fiscal 2019.

As Brad discussed in his earlier remarks, we have a strong wireline network that has the capacity to meet the increasing demands of our customers, combined with lower equipment requirements and higher self-install, we can moderate our wireline capital intensity. However, we will increase investments in Wireless compared to F '18 as we continue to deploy the 700 spectrum and expand our network into new communities, as Brad mentioned. We expect Wireless CapEx to be approximately $400 million in F '19, or up approximately 15% versus F '18.

Considering our EBITDA and capital expenditure guidance, we expect to drive material free cash flow in F '19 in excess of $500 million. Note, we will continue to include the Corus dividend in our free cash flow metric, which is expected to be approximately $20 million in F '19 versus the $92 million that we received in F '18. However, it's clear that we are growing our operating free cash flow in fiscal '19 regardless of the treatment of Corus' dividend contribution. Our balance sheet remains strong, and our leverage of approximately 2x is at the low end of our target range, providing us additional flexibility as we continue to make the appropriate investments to grow our business.

Brad, I'll now turn the call back over to you for closing remarks.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, Trevor. We have a strong operating plan in place and expect to deliver continued Wireless growth and stable, consistent Wireline results. This is the year that we turn a very significant corner in terms of our free cash flow profile for F '19 and beyond, and our focus remains on successfully executing our strategy. Recently, there's been speculation regarding our investment in Corus, and we want to clarify that we remain supportive of Corus and their management team. While it remains a challenging structural environment, we think their stock is undervalued and not reflective of the EBITDA and free cash flow profile of the company.

We will not look to sell our stake at this current levels, and we do not need additional liquidity from Corus to fund any of our operating or strategic initiatives, now or in the future.
Before we turn over to questions, I wanted to acknowledge the tremendous dedication and hard work by all of the Shaw employees over the last year. We have been through a lot of change, which is exciting but not always easy. It is through your passion to continuously improve and collaborate across the organization that drives great results. Thank you for everything that you do, and I look forward to an exciting and successful year ahead. Thank you, everyone, and we'll turn it back to you, operator, for questions.

Question and Answer

Operator

[Operator Instructions] The first question is from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

Two questions, or 2 lines of questions. The first, just on market conditions and competition versus Telus. It sounds like Telus was pretty effective, or maybe you want to use the word aggressive, with their back-to-school promotions, and that may have impacted some of your cable subscriber numbers this quarter. Can you give us any sense of how that looks through September and October? Or do you see any stabilization there in promotional activity? Or is it still a pretty heated battle? And, given last quarter's communication, I'm not sure you want to answer this, but do you have any thoughts about what your subs may look like in Q1? So that's question one. I'll let you think about that for a second. On the second one, maybe for Trevor. I'm not sure I understand the composition of the EBITDA guidance and what you're saying about IFRS 15. So if I can try to characterize it this way, you did 32% EBITDA growth in Wireless in 2018. If you were to just do that again in 2019, that would contribute 3% consolidated EBITDA growth, and then you'd have a very small amount of growth necessary on the cable side to get into that 4% to 6% guidance range. Is that how we should think about it? Or is this IFRS 15 stuff or perhaps some extra marketing and distribution costs going to make it a bit more of a J-curve on Wireless, so that you'll see much less than 32% growth, and perhaps a bit more contribution from the cable side in order to get into that guidance range? If you can give any color there, because I really don't understand what the mix is of Wireless versus Wireline in that guidance.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thanks, Vince. And maybe I'll start. I think -- I don't think we're going to get into too much granularity on the breakdown of EBITDA growth within Wireless versus Wireline, but directionally, you're sort of in the ballpark, I would say.

Vince Valentini
TD Securities Equity Research

I'm sorry, I'm in the ballpark thinking another 30% -- so you're -- on wireless? Or is -- the whole thing will slow down because of marketing costs and IFRS 15.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

There'll be a little bit of a slowdown due to IFRS 15 when we look at the reported results in F '18 and, later on, the impact of IFRS 15 in '19, but it sort of doesn't have that big of an impact, whether it's pre-IFRS or post-IFRS.

Bradley S. Shaw
CEO & Non-Independent Director

I think if you look at the Wireline results, we've got, obviously, some really nice moves on the cost structures and really nice moves on the capital cost structure. I think what teams have probably missed is a bunch of our automation, both recurring and one-time investment, with Software-as-a-Service and a partner model, bunch of that hits OpEx in this fiscal year. So where you see a mitigation of CapEx to 19% Wireline CapEx intensity, you're probably seeing a little more OpEx onetime and ongoing investments in automation in this year than you were maybe suspecting, so that might be something that trends forward.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

It's a good point. I mean, just on the VDP savings too, Vince, we always articulate VDP savings as net savings. Frankly, in F '18, the VDP savings, there wasn't a lot of net investments in those numbers. It was really sort of gross savings, where in F '19, we are starting to make some of those net investments to deliver the business with roughly 25% less people in the future.

Jay Mehr
President

And then to the first part of your question, Vince, I don't mind you characterizing our primary competitor's back-to-school efforts as effective. I think it's clear, in the competitive marketplace, when you win a cycle and when you don't win a cycle, and they absolutely won a cycle, so no excuses from our end. I mean, we have the benefit that, when we talked last time, we were still at the end of June, in the first month of the quarter. Obviously, we're a couple of months into a quarter now. We have tremendous confidence about our F '19 plan in Consumer, our F '19 team -- our team is in great shape going into F '19, we certainly hit all of our September numbers, we're doing fine in October. The business changes in F '19 for us; it becomes much more about monthly recurring revenue times our number of accounts times our average revenue per account. Obviously, broadband and satellite are what drives our Consumer account numbers, so primarily broadband. So we're focused on that, lots of focus on churn and customer lifetime value and segmentation. So some of the yardsticks move a little bit, but we're very excited, and, to Brad's comments, we couldn't be more pleased with how our team is coming out of this cycle and tackling F '19 in Consumer with a commitment for us to be effective.

Operator

The next question is from Drew McReynolds with RBC.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Maybe a follow up here, just to Vince's questions on the Wireline net losses. Appreciate your comments, Jay, on that. Can we just maybe drill down a little bit more? You obviously had some price increases in the quarter, you're staying price disciplined. Brad, you talked about kind of the execution, kind of challenges here. Was it solely competition? Or are there these other things here that are well in your control that you can certainly sequentially improve going forward? And just secondly, on the free cash flow guidance here, maybe for you, Trevor, just what kind of cash tax assumption we should be assuming?

Jay Mehr
President

Drew, we very much feel in control of our destiny and that we can improve sequentially going forward. We -- there's no question, we just did not get our share of gross adds. We had lots of capacity, we had the capacity to install, we had the capacity to answer our phone, we have the capacity to digitally serve our customers -- we're doing 28% of our installs on a self-installed basis now -- so we've opened up a tremendous amount of capacity. So the engine's ready to go, and I think we control the levers. In hindsight, obviously, if I had it to do over, we did our mass marketing spend around the 300 launch in September, which I think was effective. It's pretty clear, based on the results we got, we probably should have -- if I had that to do over, I'd have spent a couple million dollars more on marketing in August. And we would would've been -- we would've gone at different outcomes. Our whole plan is around growing monthly recurring revenue, and you can't do that without growing Internet subs. You know, if you think about our Consumer business, we had a little over $300 million rounding the bases September 1st, the monthly recurring revenue. We're going to use that number, the entire team, every single day, and the path to success in F '19 includes growing broadband customers every quarter. In the medium term, we're about 2 quarters behind Comcast's roadmap, and we think they're cutting a nice path for us to follow, and we love the work that they're doing on their strategy and excited to bring those innovations to the Canadian market place.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And Drew, it's Trevor. Just on the cash tax assumption. Yes, I know it's difficult this year. Obviously, our effective tax rate showed quite high because of some things that weren't tax deductible, like the Corus write-down. But our statutory tax rate is about 27%, and for cash tax purposes, it's roughly 300 basis points, around 24%, that you can model for going forward.

Operator

The next question is from Jeffrey Fan with Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Going to ask a question about Wireless and, more specifically, in terms of the contribution to your nets this quarter, whether you're seeing an equal distribution from churn reduction and gross adds? Or was there any kind of skew towards one over the other? And then, the second part to the wireless is just whether you guys are happy with the pace of loading that you guys are seeing on gross. And maybe comment a little bit about -- I know you don't disclose churn yet, but wondering if you can comment a little bit on churn and the outlook there. And then the second question is on cable. And I guess if we sit back, right now, you're getting pretty decent financial performance in cable, but the RGUs are obviously not coming through. If we look back a little over a year ago, you were kind of the opposite. When do you think we could get to a point where we've got some balance between those 2? Because I think, really, what the market is truly looking for is just some balance, and to avoid sort of going back and forth between RGUs and financial performance, which we've kind of done over the last couple of years. Wondering if you can kind of comment on the timing, when we can get back to that kind of level place.

Paul McAleese
President of Wireless

It's Paul, I'll take the first series of questions on wireless. On the contribution to the nets, I think I characterized this, the figure, as -- about as a split a couple of calls ago. I think in Q4, we saw probably slightly higher bias towards contribution from gross, where we were very strong. But as I'll come on to in a minute, we did continue to see a very, very positive churn profile for our base. So I would have the contribution slightly higher on gross than on net in terms of the lift over last year. Pace of loading, we're very pleased with, and a couple of observations there. For the entire quarter, for all working purposes, the flanker brands all had a double data promo, which is really thoughtfully designed to sort of camp into our space of data-centric subscriber acquisition. And we competed very strongly against that through the course of the quarter. As you can see from the metrics, we're very, very pleased with where we got to on gross. We also had an opportunity for the first time in Q4, to look in earnest at how we competed in a multi-carrier retail environment, with Loblaws having been in play for most of the quarter, and then, just as we've rounded in Q1, with Walmart. And while we'll get into the detail more, probably on the next call, we were very pleased with our share of gross in that multicarrier setting. So we think, sitting side-by-side on a shelf with all of the other brands in the wireless market place in the markets we compete, we performed very strongly. We will disclose churn on the January call, but I'm pleased to say that we continue to see record levels of retention performance across our wireless business, largely fueled by the fantastic work we're seeing from our network team. Can't say enough about the improvements I've seen in my 18 months here. This is a completely different product experience than it was even a year ago, and it just goes from strength to strength. In recent weeks, as you know, Jeff, we've introduced the 700 spectrum across most of our Western markets and part of the Southern Ontario market, and the consumer response to that was immediate and strong, so we're continuing to invest in that customer experience, and it is flowing through to our churn results. So not specific guidance, but I expect to see that metric come in on a good plane in January.

Jay Mehr
President

And then, Jeff, to your comments -- and thank you for your comments on the wireline side of the business. I don't disagree with your characterization of the past couple of years. I -- we're feeling great about how we have entered F '19. We're really -- it might sound funny to say, we really feel like a new company as we round the bases in September 1. We've got a new super lean structure. It's just me and 4 executives in the Consumer business, one who leads growth sales, one who leads base management retention, one who leads marketing, and pricing and packaging, and one does the important job of managing all of our programming costs. Super flat organization, almost no other leaders in Calgary, everybody's embedded with every channel, doing their job, making a lot of headway on base management and segmentation. I think -- I believe our objective on the Consumer side of the business is deliver a boring and financially strong year that is also strong in terms of our long-term number of customers, but -- think you'll see that from us starting in Q1. When you talk about RGUs, we don't really think of the business that way anymore. We think about the business in terms of how many customers we have, what they pay us on a monthly basis, what's happening to our subscription revenue base of monthly recurring revenue, what's happening to the churn, how do we manage our base on a daily basis, a lot more segmentation. So I think, certainly, in terms of broadband customers, you'll see a much more balanced approach to our result. And look, our path here isn't that hard. We don't need to shoot the lights out on revenue growth. There's things happening in the Home Phone business, there's things happening in the television business. The small revenue growth on the Consumer side, steady, works with improving margins and the opportunity to realize all the cost structure that we've got, a much, much tighter and more effective capital structure, and we've got a real nice business here that's a lot simpler than it used to be, and we're very proud of what the team is executing.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

If I could just follow up quickly. I don't know if you have this number handy or if you track it, but some of your peers, particularly in the U.S., tracks the customer relationship number, which kind of, as you alluded to, kind of takes away from the RGU. I don't know if you have that kind of, directionally, whether you're seeing stable in customer relationship growth or decline. I'm wondering if you can share, I don't know, if you track that at this point?

Bradley S. Shaw
CEO & Non-Independent Director

Yes, we do. Our Consumer business was up slightly in terms of customer relationships, F '18 over F '17. We have just over 2.8 million customer relationships, and our average number of accounts over the year was 10,000 higher in '19 than it was in '18. And I think on the cable side, when I say cable and broadband, that's very much our plan going forward. And if you think about customer relationships, we have a seasonality to our satellite business, you'll see that in Q1. We were seasonal as ever in Q1, so you'll see that in the numbers. And satellite customer relationships might drop, say, 35,000 for the year. But our satellite business is fine and stable and profitable, actually. ARPU was great, so I wouldn't -- I don't think that's a big issue. On the broadband cable side of the house, we maintained our customer relationships this year and certainly plan to do the same in F '19.

Operator

The next question is from Phillip Huang with Barclays.

Phillip Huang
Barclays Bank PLC, Research Division

Also a couple of questions on the wireless side. I was wondering if you could give us some color on your, perhaps, performances in different regions. I suspect Ontario is still generating most of your volumes, given the market size, but could you call some comment on the pace of the growth in Alberta and B.C. relative to Ontario? And then, another question I had was on the demographics of customers you guys have been able to attract. Have you noticed any sort of change or expansion in the types of customers been able to kind of reach, just given the network improvements. Any sort of addition of business customers, et cetera, that you have noticed?

Paul McAleese
President of Wireless

Phillip, Paul. So starting on the regional performance, we've seen a relatively static sort of split between the East and the West, which is characterized, about 70% of our volume coming from the East and 30% from the West. I will say, having spent some time over the last sort of while, improving a number of things in the West. We've turned on, as you know, the 700 spectrum most pointedly in the West. That's the vast majority of the investment we've made in network on 700 is coming in the Western part of the country. We've also got a significant advantage in our WiFi footprint in the West. So while the bias hasn't changed very much over the course of the last year, expect to see additional strength in the West as we look to deploy and leverage some of those assets into our proposition. It has been -- we've been waiting for 700 to roll out, but you'll start to see some changes in that split over the course of the next couple of quarters. On the characteristic of our base, I think a couple of data points are worth pointing out here as we look across the changing nature of our base. So, probably the first thing I'd point to is the average selling price of our devices. So, if you go back a year, we have doubled the average selling price of a phone, so we're a little north of $800 now. A year ago that number was about $400. Just a dramatic change in the characteristics of that. As you can imagine, that is largely driven by the iPhone influence, but these are customers that a year ago, we simply weren't appealing to, and now find the appeal in Freedom significantly greater than they did 12 months ago.

I'd also point out that, while it's not in the release, our porting ratios, while they have long been in our favor, really changed significantly. When I look at -- I'll pick on the fourth quarter of F '18. In F '17, we did about 7,000 net ports, so -- the people porting to us in excess of those porting out. In F '18, we did 36,000 net ports, so a 500% increase on the behavior we're seeing, and that's reflective of 2 important things: one is, the confidence of competitive customers to make a change and bring their number to Freedom, a huge change in the business; and the other is -- again, that, too, is the work our base management team and our network team are doing -- a greater confidence of people to stay. So we love -- we watch our porting ratio very closely, it's widely available industry data, and we love where that's taking us, but it broadly suggests that we're seeing a different characteristic of customer. And again, I'd just point to the -- as a final thing, the onboarding value. In the fourth quarter of this past year, we set yet another record for the value of the recurring MRC that customers were committing to, and that figure was up about $1.50 over the prior quarter. So, we're doing all the right things on directing our investments in subsidy and in commissioning and in effort to rate plans and structures that provide us with better economic result.

Phillip Huang
Barclays Bank PLC, Research Division

That's very helpful. If I could, just one more follow-up. I mean it seems like the natural question to ask at this point, given your -- you also mentioned WiFi in your response. When is the right time to launch a premium brand? It seems like all the ingredients are kind of in place and your network is rapidly improving. Just wondering if -- I know you don't want to dilute Freedom's momentum that's been sort of gaining over the past year. I'm just wondering if you could comment on when would be the right time to start introducing a brand that you could -- that you feel comfortable bundling with your fixed line base.

Paul McAleese
President of Wireless

Yes, Phillip, I think I'd characterize this still -- and I'll use the same line I've used for a part of the last 2 calls -- it's dry powder for us. We love what we're seeing from the Freedom brand and how we're penetrating across all of our points of distribution today. We clearly understand that there's an opportunity for us to introduce, perhaps, some new branding into the marketplace at a time that suits us, but at this point, nothing to disclose on that.

Operator

The next question is from Sanford Lee with Macquarie Capital.

Sanford Lee
Macquarie Research

I had a question for you guys just on the sustainability of the ARPU growth. Obviously, a lot of stuff is coming in at the $50 and above. Is there any of the ARPU benefits coming from the customers that are migrating up from lower-tier plans?

Paul McAleese
President of Wireless

They are indeed. We -- I think we announced previously that our migrations were coming in at around the $7 mark. Over the last quarter, that number has moved up favorably to about $8 and change, so it takes, obviously, a lot to move that base significantly, but we love what we're seeing on that front. So the -- both the number and the value of migrations are increasing. And as many of you may have noted, in July, we had the opportunity to make some changes in our Big Gig rate plans. We introduced a $5 charge, incremental charge, to the rate plan levels that were set back in October. We then gave customers the opportunity to discount that back by taking advantage of our digital discount and moving to pre-authorized payment. We love the characteristics of customers that are on PAP, and we'll continue to incent that. But that series of rate plan changes has produced a number of favorable impacts for us in terms of -- really, it's both wins. Whether a customer takes it or they choose not to take it is kind of a win. So where you're seeing a slight rate increase, we're seeing a longer-term digital relationship with us that we think has other benefits. So overall, migrations are a very positive part of our story.

Sanford Lee
Macquarie Research

Right, and then kind of related to that, I know you recently launched a lower-cost -- $25 and $15 -- ARPU plans. Can you give us a sense of the uptake of that, and, again, looking to potentially migrate them up the chain at some point as well?

Paul McAleese
President of Wireless

Yes, and thank you for bringing that up. One of the things that's important that isn't lost in our very strong Q4 results, the 9% ARPU lift that we were able to present to the market included the launch -- although it's a relatively small numerator, but it included the launch of rate plans that were significantly below our base average, so in some sense, pushing in the opposite direction. But we have a very, very clear direction from leadership here that we want to make wireless available to all Canadians and to do so in a way that is consistent with both our objectives of reaching lower-income Canadians and, certainly, with what I believe to be the government's view of trying to make wireless and data-only plans available on a more broad basis. You'll have seen that we launched those plans directly into a time when the big 3 were less enthusiastic about that market. We are enthusiastic about bringing all Canadians to Freedom, so we took the opportunity to do that. I think we helped maybe change that, the view of that marketplace. And, while the loads are relatively a small percentage, a sort of a single-digit effective gross for us on the quarter, they are an important part of telling our story across the broader segment of the population.

Operator

The next question is from Aravinda Galappatthige with Canaccord Genuity.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Two for me. Number one, just wondering if you can just touch on sort of the operational sort of impact of the VDP plan. Obviously, you're sort of getting to that midpoint in terms of employee exits and sort of transition. Can you just talk about how you've been able to sort of manage the operational disruption? And should we think as though -- that the higher-risk component of it being behind us? Is there sort of more to go? And I'm trying to sort of connect that with, maybe, some of the, I guess, the relative underperformance on the cable gross adds side. To what extent did the size of the program perhaps affect the sales aspect of -- on the cable side?

Jay Mehr

President

Yes, great. Thank you. Brad talked about, in his comments, just how amazing our people are and the work that's been done in changing the company. Where we are today -- not to minimize what the organization's been through over the last 6 months, our people are amazing, they're the source of everything good at Shaw, I love where our team's at. I can't remember a time, certainly in the last 10 years, where our team has been in better shape. The team's embraced this troupe of 10,000 call to action. We're a smaller organization now. And when we talk about a troupe, we're not talking about a military troop, we're talking about it like a traveling performing troupe where one week you're on lights, and another week you're the star, and crates lift themselves because everybody helps. It's right consistent with the Shaw culture and how we were built. Our organization is doing tremendous work. In the process that has been so energizing for our team because decision-making has all moved to cross-functional squads with agile 2-week sprints. And I spent a few days in Edmonton last week -- the turnaround with our teams in Edmonton -- about our ability to just get things done effectively because our teams that are doing the work are changing the way we work. So I couldn't be more happy with how we're coming out of the, as you described, the higher-risk area. The plan's going forward. We've still got some work to do, but I would actually characterize us as being slightly ahead of where I thought we would be at this moment; self-installs of 28%, headed to 50%, all of our digital initiatives are going well. I think if you look at our underperformance over the last couple of quarters, some of that may well have been all of this adjustment. I suspect more of it was all of the changes in management and leadership and restructuring and streamlining. I'm sure some of that had an impact. Most of the heavy lifting is behind us. We've certainly got some automation investments this year, and as you -- we've got a clear line of sight to our VDP exits, certainly for, at least, the first 9 or 10 months of this year. We've got a little bit of work to do as we do the final sort of departures into 2020. But we're super pleased, and we will -- as difficult as this process has been, it has not only enabled a fundamentally new cost structure for our Wireline business but it really has enabled a new Shaw in the way -- in the modernization of how we do business.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

And just a quick follow-up or second question for me. I think I may have not heard correctly, but I think you, in your prepared remarks, you talked about, I think, about 28% of your installs now being self-installs, which sounded like -- which, certainly, to me appears to be a good number. Can you just talk about sort of the potential to sort of increase that over the near term? And is there a component -- is there a prospect of maybe the X1 installs also becoming self-installs in the near term?

Jay Mehr
President

Yes, for sure. I mean, the whole spirit of the Voluntary Departure Program was because of this fundamental change in the business where the only thing plugged into the wall will be an XB6, and everybody -- everything else is IP-based experiences connected wirelessly. And you can start to see the beginnings of that in Comcast's results and what they're doing. And that's actually behind the whole direction that we're going as the company. That 28% is the right number in terms of self-install. In May, it was 17%, so we're directionally headed in the right direction. That probably looks like 50% at the end of the 2020 program. The number of truck rolls that are being avoided by that are -- will be in the hundreds of thousands. It's super material of a plan, and it just gets easier as we launch our IP-based experiences, and you've certainly seen, I mean, the road map is clear. You can see Comcast doing it. You can see Rogers doing it. You can see Cox doing it. We're on the right track here.

Operator

The next question is from Tim Casey with BMO.

Tim Casey
BMO Capital Markets Equity Research

A couple for me. Just -- you mentioned, Brad, in your opening comments about how you're going to start doing cross promotion. Just wondering if you'd comment on how you're going to approach that, given your other comments with respect to recurring monthly revenues because, obviously, cross promotion can often include bundling discounts. And second, just a comment on your spectrum road map. I know you can't comment on 600, but how are you thinking about mid and higher bands, given that's clearly where the focus of the incumbents are? Just how are you thinking about that going forward?

Bradley S. Shaw
CEO & Non-Independent Director

Tim, I'll start here, and I'll take your last question on the 600. We're extremely excited about the 600 and the auction coming up, and we really applaud the government for stepping up with a pro-competitive spectrum plan and policy. So we're excited about what that brings, and as you know from our spectrum holdings, low, medium, high, very important as we go forward. And hopefully, as we step into the next couple of years, that the government still has that pro competition, and then we really believe that spectrum is critical as we compete with the big 3, and we're going to be very focused on that going forward.

Jay Mehr
President

Great. It's Jay. In terms of the cross promotion side, I think, as you heard in Brad's comments and you can see with the increasing wireless capital that we're investing this year, we've got some really interesting things happening in Alberta and B.C. One is significant network improvements. And so we're really getting there with the launch of our additional spectrum. We're also launching a significant number of new markets in this fiscal year, which really will cover our footprint much more dramatically. I think the West is going to matter more to Freedom in this fiscal year than it has in the last number of fiscal years. We're going to step into this. I don't know that -- to Paul's comments about dry powder, I don't think you'll see massive bundling opportunities in F '19. I think you'll see us try and have conversations with customers about what they're spending on a monthly basis and how they can bring Freedom and Shaw together to help them save money. I don't think you'll find anything scary in that, and really excited about what happens this year for us, Wireless, in the West.

Tim Casey
BMO Capital Markets Equity Research

Just a follow-up if I could on another road map, that being your all-IP experience. I think in your opening comments you talked about it in the second half. Can you give a little bit more color on how that's going to roll in?

Jay Mehr
President

I think I previously said we're about 2 quarters behind Comcast on their technology road map. And in general terms, if you think of it that way, you'll -- you're in pretty good shape. Just -- it's actually quite easy to see what's coming in terms of our product offering. I think it's fair to say in terms of the -- both the operational and market impact, that the bulk of our all-IP experience will impact the second half of F '19, but we certainly are very pleased with how things are developing and are in testing. And we're certainly technologically ready. Speaking plainly, we've been helped by the aggressiveness of Rogers and their rollout in driving IP, that just makes it easier for us. And it's nice on some of these things to be quick second. The first go-around, we were leading into Canada and having to sort all that stuff out ourselves. So we benefit from this expanded syndication in Canada from Comcast and are excited about what the second half brings.

Operator

The next question is from Maher Yaghi with Desjardins.

Maher Yaghi
Desjardins Securities Inc., Research Division

Jay, I wanted to just -- can you -- you were talking about your marketing spend in the quarter that you could have pushed up a bit more in order to alleviate some of the losses you had on Wireline. How much did you say you could've spent more in order to prevent these losses?

Jay Mehr
President

Thank you for the question. I was -- clearly, we believe that we had a go-to-market that would enable us to get our share of gross adds and not to have a decrease in broadband customers. And so what I did say is our mass sort of campaign -- and mass isn't as important as it used to be -- our mass launch of Internet 300 we did in September, because it's a great opportunity to sell and set up things for F '19. My comment of -- and that campaign was about $2 million that we spent in September -- my comment was: you learn from your mistakes. Clearly, we should've put more in market in August. We lost August. And so if I had it to do over, would I had moved that $2 million into August? Yes, I think that's self-evident now. In the medium term, it's timing, and we're pleased with our mix of 300, and we think both the pricing parity that we've got through Internet pricing and the launch of 300 and the mix of the buy-in of 300 is all going well. So I think it, in the long term, will come out in the wash. But it's clear we had a light marketing spend in Q4, and you'll see some of that, timing-wise, impact Q1.

Maher Yaghi
Desjardins Securities Inc., Research Division

And so why didn't you spend the money? Is it because you were trying to meet some object -- financial objective for the year?

Jay Mehr
President

Yes. No, we didn't spend the money because we think the best time to launch 300 and our new way of being is in September, and we've got good market impact from that. We certainly had room, in terms of spending the money, it wasn't that we were up against a particular number. We're delighted with the financial result that we've taken. We believe, as you heard from our comments in June, and this is the nature of a very competitive environment, we believe we had a plan to deliver our share of gross adds, and it didn't turn out that way. So we're committed to achieving better results in the future, Maher.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay, so that's on Internet. How about TV, because I guess both go hand in hand? But there's an abnormal decline in TV that happened in the quarter, and it's hard to call it just on back to school, because a lot of these subs that go in and out on the back-to-school period are mainly Internet and not heavy on TV, from what I understand, if it's -- we're talking about students and universities. So how -- what's the strategy to turn around the TV portion?

Jay Mehr
President

Yes, and thank you for question. And actually, I agree with where you're heading as a hypothesis. I don't see the change in TV -- in video RGUs. And I think we're talking about cable here, so let's...

Maher Yaghi
Desjardins Securities Inc., Research Division

Yes.

Jay Mehr
President

...as opposed to satellite. I think you're right that, that's not a change in back to school. I think you and I may have different expectations for where we're heading with video RGUs. Obviously, the biggest challenge that we had in F '18 financially was a degradation of our video gross margin, primarily on the cable side. We've said, clearly, we're going to manage video for profitability. We've got a cost structure that, the way channels are packaged, suggests a certain way to market video. We're going to have a much healthier margin story in video in F '19, and that will be part of our total customer story. I would hesitate to -- if you're trying to work a model -- to suggest that we're going to have a major bounce back on how we characterize video RGUs, because I think if you follow the map of managing video for profitability, total number of customer relationships or accounts, our monthly recurring revenue model, it doesn't necessarily take you to quickly improving RGU numbers in video.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. And you know the general expectation was that X1 was going to help you in some way improve your video situation, and that's not happening. So that -- I guess you're saying that the market misunderstood where RGUs were going on the TV side. Can you maybe help us understand what your view is for 2019 on that, because I think the general understanding is that you were not going to lose more than what you lost in the past?

Jay Mehr
President

Yes, I wouldn't use all the same words that you just used there, but the way we think about the business as we move into F '19 is, our Wireline business, we're looking in that 1% to 2% revenue growth. We got 1% revenue growth in Q4. This is what winning looks like. We do that by managing our monthly recurring revenue. So our monthly recurring revenue is just, when we entered the year, just a hair over $300 million. And monthly recurring revenue, every single day, we're looking to grow monthly recurring revenue by $1. And we do that by growing our broadband customers, becoming more profitable, reducing our churn, a much more sophisticated base management and segmentation. That strategy will work. It will deliver the long-term revenue of the company. The monthly recurring subscription revenue is what the Wireline business is. Is that a shift in our management approach from sort of the historical cable RGU approach to the business? Of course it's a shift. It's part of how we've reengineered the whole company in the next 6 months -- I mean in the last 6 months, and so you'll see that throughout F '19. To my comments to Jeff, I think you'll see a very balanced approach to the marketplace. I think you'll see us grow revenue by small amounts at a steady basis with decent improvement in gross margin and significant improvement in overall Consumer profitability, and I think that bodes well for the future of our company.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay, and one last question on this topic, and I'll move on. What's the marginal contribution? Can you help us understand how much is TV RGU losses affecting EBITDA in marginal -- the marginal impact? Because when you're looking at the mix, so with a minus 30,000-something TV, it's hard to see how that can be made up with mid-single-digit Internet growth unless the mix is really lopsided on the margin side.

Jay Mehr
President

Yes. And I mean, I think it's a helpful question. And you can see we're making lots of changes in mix to the marketplace. We, in F '18, saw a material degradation of our cable video margin, and we saw a significant increase, obviously, in our Internet revenue, all of which drives the margin in F '18. That ended up being a degradation of overall gross margin, and the offset in F '19, we plan on improving gross margin. I think you can do the math. I'm not sure it's totally helpful for you -- me to give you the actual gross margin numbers, but they are significant. We saw a slight decline in satellite video margin, but it really wasn't the problem. The problem was, overwhelmingly, cable margins. There's no question, we didn't help ourselves. We drove to choice packaging in the world where our cost structure really doesn't facilitate gross -- choice packaging with penetration base-rate parts and so forth. So I mean we got squeezed badly F '18 in video, both on loss of customers and loss of margin. And when...

Trevor English

Executive VP and Chief Financial & Corporate Development Officer

And loss of ARPU.

Jay Mehr
President

And loss of ARPU. And when all those are headed in the same direction, you can appreciate the magnitude. And as you can see, Internet didn't fully offset it -- offset that.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay, that's -- and sorry, just one last question. On your guidance for '19, how should we look at the growth year-on-year, the 4% to 6%? How is it split, let's say, first half versus second half. Is? Is it early? Is it back-end loaded, front-end loaded? How can -- just helpful on that. That would be good.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

There's -- it's a little bit more back-end loaded, Maher, but not to the extent like it was in F '18. We do have some of the investments -- timing related to those investments of both the VDP, sort of net investments in technology and automation and things that Jay said. A lot of those are coming in, in the first half of '19, so you will see a little bit of additional operating costs in the Wireline business in Q1 versus the run rate in Q4, but not to the extent that's -- that this year was, in terms of '18, in that volatility in the quarterly split.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. And this guidance of 4% to 6% is based on the current accounting standard, or on IFRS 15?

Bradley S. Shaw
CEO & Non-Independent Director

It's the same under both.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay, so no change. Even though subsidies on handsets is quite high on -- in your current situation, it won't affect the growth percentages?

Bradley S. Shaw
CEO & Non-Independent Director

Correct.

Operator

The next question is from Rob Goff with Echelon Partners.

Robert Goff
Echelon Wealth Partners Inc., Research Division

It would be on the recurring revenue side of things. Could you give us a bit more perspective in terms of the Consumer rate increases? I think you noted that it added an incremental $4 million during the quarter. What was the timing of that perhaps and the component mix of that? Second question would be on the Business revenues. Ahead 6.6% on the quarter, you attributed that to the SmartSuite. Could we look forward to greater momentum behind that product suite?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, Rob. It's Trevor. Just on the rate adjustments that were implemented June 1, they were about $21 million in the quarter, sort of Q4 versus Q3. And just for benefit, it was about $12 million on Internet, $6.5 million on video and roughly $2.5 million on Home Phone. So that was the rate adjustments, and you saw that really flow through the quarterly Q4 revenue versus Q3 revenue. Most of that was driven by those rate adjustments. I think we delivered $19 million in total, but it was $21 million offset with a little bit of migration from customers.

Jay Mehr
President

And Rob, this is -- we've got real nice momentum, Rob. We've got a SmartSuite of services and greater opportunities in enterprise. In our maths, though, it's a little offset by our one legacy business, Shaw Broadcast Services, that relays satellite services for broadcasters. That is obviously in structural decline. So if you look at the rest of the business, we're looking much more like high single-digit increases. I can't tell you how I love the energy of the Shaw business teams, and we had a record sales month in August. Of course, that leads us a couple months down the road on revenue, but we've got rate momentum on Business. And when we talk about our lowering Wireline to 19% capital intensity, we're certainly still continuing to increase our success-based spend on Business, so that mitigation is on the -- becoming way more effective in our capital intensity on the Consumer side. Super excited about the story in Business. I mean, things are going so well on Wireless. We don't talk about Business very much, but we are committed in F '19 to have all 3 business units contribute positively to our operating plan and have all 3 business units be very successful.

Operator

The next question is from David McFadgen with Cormark Securities.

David John McFadgen
Cormark Securities Inc., Research Division

So first of all, just on Wireless, when you talk about expanding into new markets in Western Canada to capture an additional 1.3 million customers, are you moving into rural areas? And what is the ultimate ambition here in terms of your footprint in Western Canada? And then secondly, on Wireless, could you tell us about what are the gross adds ARPU is? Just wondering where that's tracking because, obviously, it has implications for Wireless ARPU growth.

Paul McAleese
President of Wireless

Dave, it's Paul. Thank you. Your -- I wouldn't characterize our ambitions as rural in Western Canada. The markets that you'll see us move into this -- in this coming year are places like Victoria and Red Deer and Lethbridge, some major markets that we're not currently covered. So we're very excited to be able to bring Freedom service to those markets and think that we'll very quickly achieve a good share of gross adds in each of those places. On gross adds RPU, yes, our inbound subscriber cohort is coming in -- as I said, in the last couple months, it's come up by about $1.50, so it's in the low 50s, and that's on MRC, so I'll be careful on characterizing that between -- in ARPU. There are some discounts that sometimes apply, and then there's also things like roaming and other charges that will -- could kind of push in the other direction, so characterize that as probably MRC equating to about ARPU. But we're very pleased with the numbers we've seen, particularly since the July rate changes.

David John McFadgen
Cormark Securities Inc., Research Division

Okay, and if I just have a follow-up, just on the cable video ARPU. Like if you look at Comcast, they've characterized their video sub losses as traditionally lower ARPU. Would you say that as well for you, that any cable video losses you're experiencing are more on the lower end of the ARPU range?

Jay Mehr
President

There lots of moving pieces in terms of our video ARPU. I'm not I would say it in exactly that way. I think there is no question that the future of our business and our whole F '19 strategy is that we're going to lower our cable video churn and add a lower number of gross sales but much higher value customers in video. So I would certainly say it that way. Maybe that's a little bit of a spin of what you just said, David, but I wouldn't characterize it quite the way you said it out loud.

Operator

Mr. Shaw, there are no questions at this time. This concludes the time allocated for today's conference call.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thank you, operator. Thanks, everyone, and we'll talk to you in January.

Operator
Ladies and gentlemen, you may disconnect your lines. Thank you for participating, and have a pleasant day.

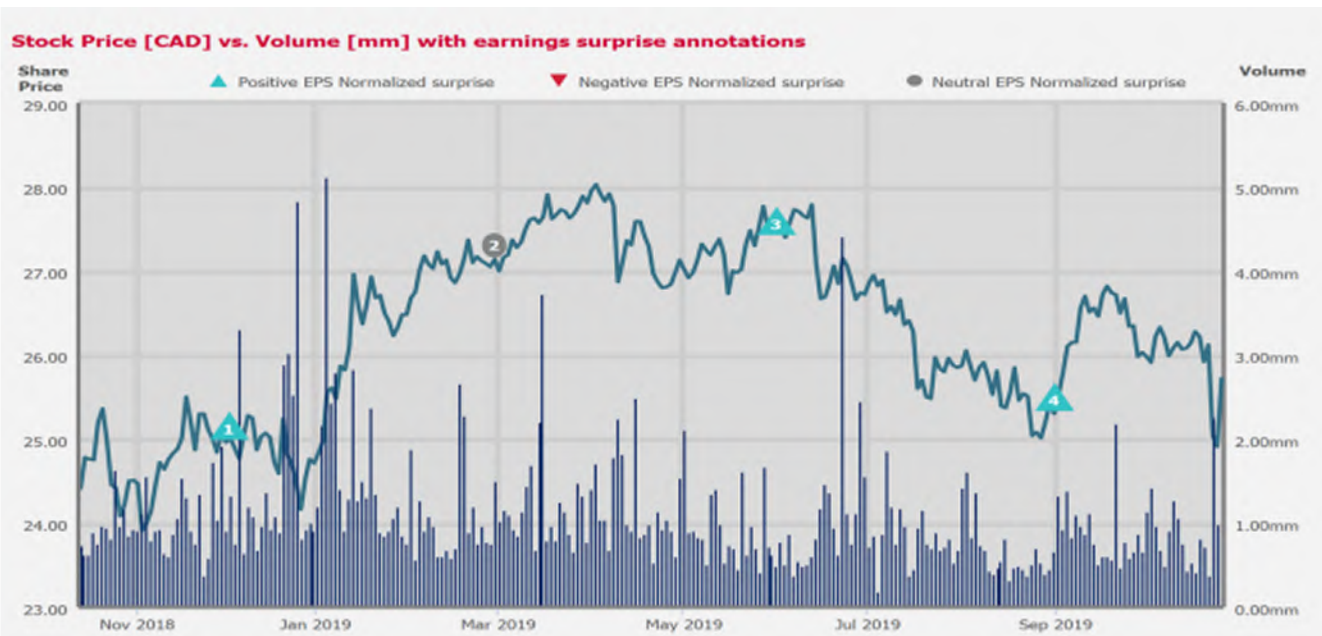
This is Exhibit 06 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B
FQ4 2019 Earnings Call Transcripts
Friday, October 25, 2019 1:30 PM GMT
S&P Global Market Intelligence Estimates

	-FQ4 2019-			-FQ1 2020-	-FY 2019-			-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.29	0.33	▲13.79	0.33	1.39	1.44	▲3.60	1.36
Revenue (mm)	1363.55	1352.00	▼(0.85 %)	1382.00	5357.45	5347.00	▼(0.20 %)	5534.13

Currency: CAD
Consensus as of Oct-24-2019 12:33 PM GMT



- EPS NORMALIZED -	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	0.31	0.37	▲1 19.35 %
FQ2 2019	0.30	0.30	● 2 0.00 %
FQ3 2019	0.32	0.44	▲3 37.50 %
FQ4 2019	0.29	0.33	▲4 13.79 %

Table of Contents

Call Participants

EXECUTIVES

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Paul McAleese
Former President

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

David John McFadgen
Cormark Securities Inc., Research Division

Drew McReynolds
RBC Capital Markets, Research Division

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to Shaw Communications Fourth Quarter 2019 Conference Call and Webcast. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions] And the conference is being recorded. [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and good morning, everyone. With me today are members of our senior management team including Jay Mehr, Trevor English and Paul McAleese.

Our strategy in 2019 was clear: we were focused on growing Wireless and Broadband customers, improving execution and delivering stable Wireline results as well as managing through a critical year in respect to VDP departures. The industry shift to unlimited plans did not impede our ability to grow our Wireless customer base. During the all-important back-to-school season, we delivered the best quarterly subscriber results in the company history with approximately 91,000 customers added in the fourth quarter. Our success in attracting and growing the subscriber base is a product of our innovation, our improving and expanding network and our effective advertising and messaging to consumers.

In July, we continued to expand our service offering with the launch of the Big Gig Unlimited and Absolute Zero plans anchored around device pricing as our advantage. The results of this strategy have been positive as not only did we achieve our new subscriber record in the quarter, approximately 30% of all postpaid activations in the month of August were on a $75 or higher service plan. Due to the success in our subscriber growth, which included postpaid additions of 280,000 in the year, our Wireless business surpassed $1 billion in annual revenues in fiscal 2019. We delivered strong service revenue growth of 24% and our Wireless operating margin improved to approximately 20%, both of which supported significant EBIT growth of 45% to over $200 million.

The Wireless network team has done an incredible job as we continue to strengthen and expand the network. An enhanced network experience is a key driver of the material trend reduction that Freedom delivered in F '19. We are approximately 70% complete with our 700-megahertz spectrum deployment in the Western markets and this will continue to roll out as part of our F '20 plan.

In addition, we launched Freedom Mobile in 19 new communities, the majority of which happened in Q4, and we now have wireless service available to over 18 million Canadians.

In Wireline, we grew Broadband subscribers throughout F '19 including over 11,000 in the fourth quarter. We exceeded our targets with respect to self-install, which was above 45% of total activations in the quarter, and launched Shaw BlueCurve, regaining our position as a technology leader.

Beginning in March, we launched our IPTV service, which is now available to approximately 70% of our video footprint. This is a key transition of our legacy video platform that supports our digital transformation and lowers our cost to serve customers.

Our Business division delivered another year of strong revenue growth, fueled by additional product launches, including gigabyte Internet speeds and the continued success of our SmartSuite products with small and medium business customers.

In F '19, Shaw Business was also successful in winning some key enterprise accounts, which is attributable to the strength of our product offerings, network and our focus on this segment.

Our strong operational and financial results were accomplished whilst also managing through the significant change in our business via our digital transformation where we ended the year with approximately 70% of our VDP program complete. As a result of our focus on improving execution and delivering VDP savings, our Wireline margin improved 90 basis points to over 45% in F '19.

We believe we are taking the right steps to grow and transform our business, to enhance our customer experience and improve our day-to-day operation for employees. This focus is driving significant operating capital efficiencies, and in F '19, we delivered adjusted free cash flow of $570 million. This is a remarkable 9% increase over F '18 when removing the impact of the Corus dividends.

Both the asset realignment and the internal transformation in our business over the last several years has positioned us well, and we're entering a key inflection point with respect to our free cash flow generation. This is evident in our F '20 free cash flow expectation of approximately $700 million, enabling us to implement some enhanced capital return initiatives, which I will now turn it over to Trevor to discuss along with our F '19 results and F '20 guidance.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thank you, Brad, and good morning, everyone. As Brad articulated, we've had a busy and successful year while making significant progress on several fronts. Full year consolidated revenue increased 3% to $5.35 billion and EBITDA of $2.16 billion grew 5% year-over-year. However, adjusting for both $15 million onetime IP licensing payment in Q3 as well as a $10 million charge related to CRTC regulatory matters in the quarter, our adjusted F '19 EBITDA increased 6.3% over F '18, which met our commitments and guidance.

Growth in F '19 is driven by combination of continued strength in the Wireless business, stable Wireline results and the delivery of $135 million of total operating and capital savings under our VDP program.

With lower capital requirements, particularly in our Wireline business, we delivered free cash flow of $545 million or approximately $570 million when considering the onetime impacts previously mentioned. This is a significant improvement over recent years, which saw us invest substantial capital to improve the wireless experience for our customers and to support the wireline networks to deliver faster speeds and new technologies. Our wireline network is stronger than ever with record-low congestion and is supplemented by state-of-the-art customer premise equipment that both improve the customer experience and reduces overall cost to serve.

As we enter our F '20, our strategy remains centered around Wireless, Broadband and Business as the growth drivers and a relentless focus on delivering efficiencies through a more agile operating model.

We're pleased to introduce F '20 guidance including EBITDA growth that is expected to range between 11% and 12% versus F '19 reported results. Our guidance reflects the adoption of IFRS 16, which, for us, commenced on September 1. We will apply the new accounting standard on a prospective basis, and therefore, we will not be restating F '19 results. However, we estimate the impacts from IFRS 16 on fiscal '19 is approximately $155 million, of which 55% is attributable to Wireline and 45% to Wireless.

Removing these accounting impacts, EBITDA growth in F '20 is expected to range between 4% and 5%, capital investments are expected to be $1.1 billion and free cash flow is expected to approximate $700 million. Please note that both CapEx and free cash flow are not impacted by the IFRS 16 accounting policy change.

Through the VDP program, we expect to deliver a total of $200 million in savings or an incremental $65 million over F '19 with the majority of the incremental savings this year arising from reduced capital expenditures. All VDP-related efficiencies are embedded within our F '20 guidance, and we remain confident in our ability to manage through the remaining departures of approximately 850 employees.

We believe that F '20 marks a significant inflection point, and the strengthening free cash flow profile is concrete evidence that our asset realignment and evolution of our operating model are both yielding positive and meaningful results that are flowing to the bottom line.

As we've gone through our significant transformation over the last several years, we've maintained financial strength and flexibility throughout. At the end of F '19, our leverage ratio stood at 1.9x and is the lowest among North American peers. On October 1, we repaid $1.25 billion of maturing notes through balance sheet cash, which, of course, had no impact on our leverage metrics.

Considering our sound business fundamentals, strategy and focus on execution going forward, current leverage and strengthening free cash flow profile, we're pleased to announce some enhancements with respect to our capital return initiatives. Subject to TSX approvals, we will implement an NCIB program to purchase up to approximately $25 million Class B shares, which represents 5% of all issued and outstanding Class B shares. Through recent years where we made significant investments to drive our growth -- our long-term growth strategy, we maintained a healthy dividend, and we believe that an NCIB program is a flexible and efficient alternative to return additional capital to shareholders.

With [F' 23] cash flow expected to be in excess of our total dividend, we also plan to satisfy our share delivery obligations under our DRIP program by purchasing Class B shares in the open market, thus avoiding additional future equity dilution and creating synergies with the contemplated NCIB program.

In addition to this change, we've also announced that we're eliminating the DRIP discount, which is currently at 2%, and we expect this will lead to a significant reduction in DRIP participation.

We remain committed to the long-term dividend growth and are confident in our ability to generate sustainable free cash flow. However, we believe that the enhanced capital allocation initiatives announced this morning provide us with a more balanced and flexible approach to return additional capital to shareholders.

I'll now turn it back to Brad before we open the line for questions.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, Trevor. I am very proud to say that we have built our company on the foundation of being a strong facilities-based service provider. Just earlier this week, Ookla released their latest Canadian speed test report where Shaw ranks as fastest ISP in all the cities listed within our footprint. In a separate monthly index compiled by Ookla, Canada ranks as 11th in the world for download speeds. Results like this speak to Canada's position as a technology leader creating consumer choice and effective sustainable competition while providing employment and advancing infrastructure and possibilities in our communities.

Facilities-based competition from Shaw and Freedom is working and will continue to work for Canada. As an industry, we are all expanding and improving our networks. Consumers want more from their providers, not less. We can offer these services and introduce new ones because we have invested significantly in the breadth and quality of our networks on which these services so heavily rely upon.

The recent regulatory environment creates unnecessary uncertainty that has the potential to do more harm over the long term. If companies can no longer have the opportunity to earn an appropriate return, they will change their investment profile, and therefore, innovation, services and technologies such as 5G, Internet of Things and the fundamentals of artificial intelligence will diminish, along with the service levels that Canadians have been accustomed to. Canada requires strong facilities-based investment to compete on the global stage.

Since the announcement of the wireless MVNO hearings and the reduced TPIA rates, we have already altered our plans with respect to launching new higher-speed Internet tiers and additional wireless expansion beyond our current footprint. Throughout the regulatory process, we are hopeful that the government will recognize the critical role that facilities-based companies play in the ability to usher in new technologies and deliver better and faster services for all Canadians.

Despite the recent regulatory uncertainty, we couldn't be more pleased with our strategy and execution. To the entire Shaw team, the progress we have made over the past number of years is absolutely remarkable, and it could not have been done without you. We have challenged each and every one of you in your day-to-day roles, and response has been overwhelmingly positive. Let's continue to build on our success and carry this great momentum in F '20.

Thank you, operator. We're now opening up for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

First off, can you just clarify, Trevor, the $10 million charge for the CRTC decision, that should be a hit to revenue, I believe, in your Consumer division? Or did you just book it as an expense?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

No, it's an impact to revenue as well. It's actually split between Consumer and Business a bit. And just to be clear, Vince, it's about $6.5 million or so on revenue. In EBITDA, there was also another regulatory provision that we took as well to aggregate to $10 million. But it does impact revenue as well.

Vince Valentini
TD Securities Equity Research

On the free cash flow, guys, congrats, $700 million is a great target to go for. Can you just clarify a couple of things for us? So you'll save about $70 million in interest costs from that bond you just paid off with cash. Did your guidance embed that you will refinance with some longer-term debt and incur other interest costs to replace some of that $70 million? Or is it full $70 million you expected to flow through?

Second, can you just level-set us on restructuring costs and contract assets? Is there anything that we should expect to be materially different in those 2 lines in 2020 versus 2019?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. Vince, I'm not sure if it's the full $70 million. We do expect some financing in here, so I don't -- there's not a $70 million decline in interest to get to -- that's driving the free cash flow growth. I think the driver of the free cash flow growth really is EBITDA growth of 4% to 5%, which is roughly $85 million to $110 million, and then of course, on capital. And the capital moderation, frankly, is about $100 million lower than reported F '19 results. That moderation is sort of split equally between Wireline and Wireless. On the Wireline side, some VDP-related savings and efficiency there. And our partnership with Comcast, I think, historically, maybe we haven't articulated the strategy well as we could have, but there's been some OpEx trade-off for significant CapEx efficiency through the technology road map and partnership that we've embarked on with Comcast and other global scale providers. Self-install is really working for us. It's about 45%, as Brad mentioned in his remarks, and we continue to see it accelerate. So there's real Wireline moderation.

On the Wireless side, Brad mentioned in his opening remarks, it was a busy year on the Wireless side of things, expansion into 19 new communities, expansion into retail -- significant retail and that's sort of behind us. We're going to continue to plow through the $700 million, where about 70% is in Western Canada that will be done by the end of calendar year. And then in the East, it will be substantially complete or fundamentally complete by the end of F '20 as well.

So there really is a moderation of capital, like Brad said. Maybe some of the capital within Wireless is a little bit -- holding a bit back considering some of the regulatory uncertainty that's in the market right now. But the free cash flow profile we're very proud of, and we continue to see that strengthen going forward.

Vince Valentini
TD Securities Equity Research

And if I could throw one in for Paul, I'm sure there'll be lots of questions on Wireless, but I just want to ask you how are you thinking about competitive intensity right now. It certainly seems from the Rogers results earlier this week that they're hurting a little bit. If you look at your blended sort of lifetime value of customers over the past 3 months, let's say, I mean, if you factor in the ARPU you're getting, the likely increase in equipment subsidies given the Absolute Zero program and then the superior volume of subs you're adding, are you happy with where all those vectors line up? Or do you think yourself and the industry could be doing a little bit better if somebody got more disciplined and others followed?

Paul McAleese
Former President

Well, it's hard not to argue with you -- or not to agree with the last point. So I think by any objective measures, it's fair to describe Q4 as one of the most competitively intense periods the Canadian wireless industry has ever seen. You've got all of the incumbents launching unlimited, 2 of those guys being the largest media owners in the country. So we certainly saw some significant pressure over the course of the 90-day period. I would argue and I think you saw earlier this week that there is something on the lack of pricing discipline in the market really across-the-board. My perspective is unlimited [gave out] below the rate that they probably should have done, and certainly, the results you saw here this week probably support that.

So overall, just in broad summary of your question, we still love what we're getting here. Absolute Zero for us was an absolute home run. We've been able to move 30% of our postpaid adds to a rate plan of $75 and above. We're including moving into the neighborhood of the premium brands and we saw that in our quarterly numbers. It was certainly an expensive quarter from a subsidy standpoint. But what we got in exchange for that trade was something we would take again and we'll do again.

So we like where we are. There's probably 10 to 15 basis points of churn that I would put in the seasonal category and attributable to that intensity, but we expect that to moderate over the course of the next year and still see the churn for us is somewhere in that range of 1.3% to 1.35% over the course of the next 12 months.

Operator

Our next question comes from Drew McReynolds of RBC.

Drew McReynolds
RBC Capital Markets, Research Division

Starting with -- back to the Wireline side, maybe for you, Jay or Trevor. When you look at the trajectory of that business in fiscal 2020, obviously, a lot of recalibration and focus on base management over the past couple of years. Can you refresh us on what your assumptions are for the top line and the extent to which potentially you can get EBITDA margin improvement over the medium term?

And then, secondly, a couple of housekeeping items. Just to confirm, Trevor, the growth guidance excluding IFRS 16 for fiscal 2020, that's off the $2.161 billion number? And then, secondly, just comment on the cash tax rate year-over-year, if there's any really major move there.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Okay. So there's lots there, Drew. I'll take the easy ones first. Yes, it is off. Just to be clear, the growth guidance that we gave is off reported results. And cash taxes, we expected -- sort of the last couple of years, it's approximated at around $160 million, we expect that to be about the same for F '20 as well.

Maybe I'll start then on the Wireline, the first question on Wireline trends. I think F '20 is really going to be a continuation of our overall strategy to deliver growth through Wireless, but then also Broadband business while managing through the VDP exits in F '20. On Wireline, in F '19, we certainly delivered improved Broadband growth of around 35,000 subscribers. We expect this trend to continue, offset by clients in some other categories, in more maturing products like TV and the Home Phone.

Overall, Drew, on the top line, if you look at Consumer revenue, it has been decreasing over the last 7 years at a rate of about 50 basis points. And frankly, we expect that trend to continue and maybe modestly accelerate a little bit as we -- there's additional OTT competition with Disney coming into the fall. Does that accelerate cord cutting or cord shaving a little bit? We're cautious on the Video business and then what it does from a revenue perspective.

Traditional Home Phone is going to continue at its current pace of decline just due to Wireless substitution.

And then on Internet revenue side, continued growth there. There's no doubt about it. But perhaps we're just going to really monitor the competitive dynamics that's happening out there specifically within the TPIA space as well considering a lot of the uncertainty there. That's all going to be offset by continued growth obviously in Business as well. We're targeting 5% again. And combining those two, really, F '20 looks a lot like F '19, which is sort of flat to maybe down a little bit on Consumer revenue is the way that we're running the business.

And then from an EBITDA perspective, there's some VDP savings incremental $25 million of OpEx that we're going to deliver to the bottom line, but there are some incremental costs coming with our strategy, which is significant capital efficiencies. Again, just want to highlight the free cash flow and the simple free cash flow that's been generated out of the Wireline business, it's very impressive. But from a margin perspective, we continue to see opportunities, but there is going to be some offsets through VDP, through higher syndication costs with our partners, some of the outsourcing costs as we move to the cloud.

That being said, if you look at sort of reported EBITDA growth rates at 2.1% on Wireline, 3.3% for the year, adjusted when you take out some of those onetimes, we continue to see Wireline growth this year and maybe a bit of Wireline margin expansion, but we do think that it's fairly modest. And it really is about stability and profitability again of the Wireline business is really the focus. And hopefully, everyone saw last year quarter-over-quarter, it was sort of anywhere between $490 million and $500 million, it was, really, in a quarter very consistent, stable Wireline EBITDA results and that's what we're focused as a management team again to deliver this year.

Jay Mehr
President

It's Jay, Drew, building on Trevor's remarks kind of qualitatively [with some of the improvements of the] F '19 process about focus on the monthly recurring revenue, focus on churn, growing our customers every quarter and some part of the team that did all through the things we set out to do. I think as we stand on that foundation F '20, it's all about customer data segmentation and selling the right product to the right customer. Our systems, our teams have become so much more advanced in this area. And you can see it in our strategy and in our CapEx, and you can see it in everything we do. And really driving that in of pursuit of customer value in F '20 and tremendous opportunity there makes matters a lot. So more of the same base management focus that you talked about, and we're going to continue to work hard on that point.

Operator

Our next question comes from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Just a quick housekeeping before we get into the questions. On the CRTC $10 million charge, the revenue impact sounded like it was 6.5. What was the split between Business and Consumers? Can you just help us with that because it looks like Business revenue...

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

It's about -- sorry, Jeff, it's about $2 million in Business and the rest in Consumer.

Jeffrey Fan

Scotiabank Global Banking and Markets, Research Division

$2 million?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Okay. Got it. And then my question is one for Paul on the Wireless side. I think given what we saw with some of the incumbents' move in the quarter, you guys did a great job in attacking the handset pricing and you continued to leverage subsidies to get your old customers in. Sounds like you're quite happy with the results that you've got. And am I my right in reading that subsidies will continue to be an important part of your customer loading and retention?

And then the second wireless question is around ARPU. 0.5% growth, that's great that it's still positive considering what we're seeing in the industry. But can you talk a little bit about the mix impact because of your strong prepaid and maybe even the loading in Absolute Zero and how subsidies may have impacted your service revenue? And how do we think about ARPU growth in 2020?

And then my last question is for Trevor on the CapEx, $1.1 billion for next year. Do you think this is sustainable both on the Wireless and the Wireline side? Just want to make sure that this is not a 1-year kind of dip before we go back up.

Paul McAleese
Former President

All right. Jeff, it's Paul. Thank you. I'll take the first couple. On your question about the subsidy in EIPs, we have a very different view of the EIPs than some of our peers. I think it's worth spending a minute on kind of highlighting these extensions. First, I think other operators have described EIPs like they sort of magically removed hundreds of dollars of subsidy investment without any customer impact, and that's a remarkable oversimplification from our perspective. Simply put, EIPs, the way that they've been characterized in the Canadian market of late are really just a massive price increase wrapped up in a fancy financing bow. We, Canadians, are smart enough to do the math on that. It's painful. And when the incumbents launched their unlimited plans over the summer, they [collapsed] much of the rate plan umbrella that we saw. But their ambition to coincidently introduce EIP is to pay for those rate reductions has clearly not come to fruition. You saw it [Exo and ASH data] earlier this week. And I want to be clear about our strategy on subsidy. We're going to continue to use the best pricing to distinguish Freedom from our competition and we don't take direction from the competition on phone pricing. So the promise of the $75 unlimited plan and the subsidy-free EIP isn't the one that we plan on adhering to. We didn't make that promise, we're not going to keep it.

Secondly, on point of ARPU, there's been a lot of interest and I understand that over the course of the last number of days. However, I want to be clear that for us, we continue to see ARPU as a growth metric in F '20. Our expectations are meet or exceed F '19 performance of this 3.2%. This is, of course, subject to continued rational competitive activity.

But we're confident in that outlook because we don't really share the same ARPU risk profile that some of our peers do and specifically in 2 key areas: one is we don't have the exposure of overage revenue to lose that you see in kind of glaring terms this week, how gravity ultimately affects talks of revenue. And then early in 2020, we finally begin to reap the ARPU-accretive impacts of the 2-year iPhone cohort rollout of the subsidy amortization schedule. So it means that our ARPU gains for this year are very much second half F '20 story, Jeff, but we feel confident we can deliver that one through the course of the year.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And on the sustainability of the CapEx, Jeff, let me break into the 2 components. On Wireline, you saw we went from 24% CapEx intensity in F '18 to around 19% this year. And we continue to see that moderating, hence, sustainable moderation going forward. We don't see a step-down as much as we did obviously from F '18 to F '19, but we continue to see that more in that 18%.

And some of the drivers there, Jeff, again is just our network is in fabulous shape to handle the loads in the traffic on our Wireline network. We've got IPTV now rolled out to 70% of our footprint, and that will continue throughout the year. There's significant capital savings related to that, not just on CPE, but more so, frankly, on our cost to serve and just our self-install. We weren't able to self-install the TV customer last year with the technology that we have out there. With IPTV, we can. And that's just, again, the benefit of -- the holistic benefit of the partnership with our technology providers being Comcast, so that's very sustainable.

On the Wireless side, just in moderation this year as well. I think I talked about it with my previous response to Drew just on the overall free cash flow guidance. It's coming down a little bit this year. Some of that is because the activity we've done. Some of it is because we're a bit concerned with the regulatory environment. When Brad mentioned in his remarks we have some plans maybe on some corridors between some of the cities in light of some of the hearings kicking off in January, we just want to make sure that when we're spending capital within all of our businesses including Wireless, that we're going to get an appropriate return on that capital. So we have dialed that back a little bit and that's something that may, depending on the outcome and the environment, that may be something that there is some additional capital that goes into Wireless versus -- if we think about F '21 versus F '20 looking forward, but we don't see it being materially higher than probably the F '19 total capital that we spend of $385 million.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Great. If I could just ask one quick follow-up, Paul, on the ARPU. On the Absolute Zero customers that are coming in or migrating, what kind of ARPU are you getting, if you can share that?

Paul McAleese
Former President

Yes. I mean Absolute Zero is a little bit of a tricky way to keep track of because it has pretty significant accounting implications the way that we've got it structured, but the quick math on it, Jeff, is that just we bring those customers in on the $75 rate plan or above. Something around 40% of that gets booked in the month, so we hit consensus of EBITDA in the quarter, but that means we've done about 40% of the cost of that subsidy already in the books and behind us. Prospectively, it means that we'll then amortize the remaining 60-odd percent over the course of the next 24 months. So the ARPU coming in on those plans today is kind of in the high 40s. But important to remember that, that's over the first 24 months. When we roll into the 25th month and beyond for those subscribers, that ARPU reverts back to $75. So a lot of the benefit that we're seeing in our growth story really doesn't start to work into our math until a couple of years out. But we really like what we're getting on those subscribers, and that's the story we're going to continue to press into.

Operator

Our next question comes from Aravinda Galappatthige of Canaccord Genuity.

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

First question is on obviously your expansion on the Wireless side to a lot of the communities in the West, I think the total population is sort of close to 1.5 million. I wanted to get a sense of the different dynamics within those territories versus the areas you've been competing in. I mean would you characterize that as -- I know it's always competitive, but would you, relatively speaking, characterize that as more sort of a low-hanging fruit that could help sort of potentially ramp-up your net adds going forward?

And then, secondly, with respect to the capital efficiencies that you talked about. Obviously, the 45% self-install numbers sort of jumps out as a key positive. I was wondering if you could give a little bit more color on that. Are you talking about all installs whether it's Internet TV or on a bundled basis, 45% being self-installed? And the proportion of savings that actually emulating from that?

Jay Mehr
President

Yes. 45% is of our total number of installs, and it's a fantastic result ahead of our target. We had a terrific back-to-school period. We were busy with back-to-school this week -- this year. And I got a text every single day from our VP of Operations wondering when the installs are going to come through, and I've not seen that in 23 years of back-to-school here. Self-install changes and everything.

I think if you look at our success in terms of truck rolls and operational savings, it's easy for you to figure out the math. Important to note with IPTV, there's no in-home wiring as well and so there's real simplicity that comes with getting rid -- not using the cable in your house the whole [plan has bought]. The promise that we talked about through the transformation is absolutely being delivered. And we're going to build off 45% this year and look at a much bigger number for that in FY '20. So you're seeing that in the free cash flow characteristics of our company now.

Paul McAleese
Former President

Aravinda, it's Paul. On the first question regarding the new markets in the West, just 1 million of the 1.4 million subscribers we added this year in terms of coverage were in the West. Great work from the engineering network team to build that out in such rapid fashion. I don't know if I'd characterize it as low-hanging fruit. You've sort of got 2 dynamics occurring at the same time. There's certainly pent-up demand and a lot of customer anticipation as we go into those markets. So we're met with open arms and we see some good early volume there. But the other side of it is that those -- the network and the brand are new in those markets, so they are subject to probably to some bedding in and we have to build each of those out in a way that makes them familiar in those markets. So I think that's probably about to push over the course of the first year that they're in the market. We love growth in the West in Wireless because it ultimately set us up when we bring the 2 businesses closer together, Wireline and Wireless, we love the opportunity that those markets bring us. So I think that story gets written a little more over time, but we're still happy with the initial results in those new markets.

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

And just a quick follow-up to that point. Are you still sort of in that, roughly speaking, 60-40 split with respect to east-west in terms of gross add?

Paul McAleese
Former President

So it's 70-30, Aravinda, which is in its historical level.

Operator

Our next question comes from Tim Casey of BMO.

Tim Casey
BMO Capital Markets Equity Research

A couple for me. But Paul, just on the subsidies again. I clearly get where you're coming from, but one of the pushbacks or the thrust the other operators are making that with the high cost of handsets is the subsidy model is punitive over the long term. I'm just wondering how you think about balance sheet management in that as high-end handsets are obviously quite expensive?

And just one spectrum question. Any chance you could talk about how your plans are coming to deploy the 600-megahertz spectrum?

Paul McAleese
Former President

Thanks, Tim. We've used subsidy not in isolation. So if our perspective from reading from the customer outwards is more of total cost of ownership structure, so I understand the commentary around the price increases that we've seen in the market on devices, although that has moderated significantly with the launch of the iPhone 11 over in September. We've seen a pretty significant reduction in those entry-level prices, so there has been a bit of shift in the other direction.

I'd perhaps provocatively argue that the significant decline we saw in the price of unlimited from the big 3 might have been prejudged to be perhaps a little too aggressive and a bit too early. That's going to be one of the things that factors into their overall cost of ownership as well. So we just don't look at devices in isolation.

So from our perspective, we are very comfortable with the level of subsidy we're putting in the market. It has been coming down. It will continue to decline over the course of the year. And in the overall mix, we're happy with the blend that we're getting here. So I don't think there's much of a story there. EIPs that we discussed earlier on are not a magic cure to anything. It just all it has go into the math. And what we saw in August and continue to see is very strong consumer response. So we like our model and we're going to continue to press into it.

On 600, I think it's early for that. As I think we mentioned on the last call, we'll continue to make sure that our infrastructure is ready for 600 when it gets unpacked from the broadcasters. So we'll be reporting more on that in subsequent calls as we get closer to the date.

Operator

Our next question comes from Maher Yaghi of Desjardin.

Maher Yaghi
Desjardins Securities Inc., Research Division

My first question is on the guidance. Looking at your 4% to 5% growth organic here, well, apples-to-apples, the range is quite tight, $20 million buffers on a total base of 2.2 approximately. What gives you this kind of level of granularity in terms of giving this outlook with such a small bracket?

And I have a question on the initial cohort -- or I'll wait for your answer before I ask the question on...

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thanks, Maher. I mean hopefully, you saw it last year, live within our commitments. Even last October when we came up 2019 guidance of 4% to 6%, there was a lot of questions about that and whether that range was too tight or too conservative. And clearly, we had some onetime impacts that impacted the guidance, but we really delivered it. The management team here is laser-focused on execution and running the business on a daily basis looking at key metrics and KPIs and feel very, very comfortable about the budgeting process and the planning process that we went through in excruciating detail this year.

So you're right, it's a fairly narrow range when you look at a company of our size, but we're very comfortable with the range. And we're going to go and deliver this year just like we did last year.

Maher Yaghi
Desjardins Securities Inc., Research Division

I'll pick up another way. It seems like you're so confident that you're giving this small range. So I'm trying to figure out what made you, let's say, not go to 6% if you had this kind of confidence in giving this range like not quite...

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. I think that's sort of the competitive environment. I mean we know where consensus estimates were at, they were above 5%, [indiscernible] didn't want consensus to stay where they're at. I think I walked through and articulated the realities of the Wireline business. But listen, we're very comfortable with the Wireline business and the free cash flow generation of the business. So I think -- I hope investors are really not just looking at EBITDA and EBITDA guidance range, but really focusing on free cash flow generation of the business.

And yes, competitive dynamics in the Wireless business are intense. We just went through probably one of the more intense back-to-school periods, and so we do want to get over too much on Wireless as well whether it's growth in service revenue and flow through to EBITDA margins and margin expansion. So we're very comfortable, Maher, with the guidance range that we have out.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. That gets me into free cash flow because I wanted to ask you a question on that, $700 million, and you said in your prepared remarks that you're embarking on a improving trend in free cash flow. And because of that, you started with NCIB and the DRIP change. What do we have -- if we look further out, what are the things that you like to see the company perform in terms of free cash flow growth rate beyond the $700 million in 2020? How should we look at 2021, 2022? Is that a continuous improvement in free cash flow that you're expecting longer term? Or is there something in 2020 with the CapEx being reduced like that, that is a onetime in nature?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

No, I think I talked about it early on the Wireline capital side, again specifically with the strategy that we embarked on a number of years ago in the transformation. The CapEx savings are real, sustainable and we continue to focus on other efficiency opportunities in front of us well and a lot of those are on the capital side of things, so we feel very, very comfortable about the right level of investment in the Wireline business. And it's moderating, and we continue to see opportunities going forward. So we don't foresee any big CapEx spike.

We did talk a little bit already about Wireless. Maybe we're holding a little bit back this year, but it's not that much. And we don't see any significant spikes in Wireless capital from, for example, the run rate that we delivered in F '19 of $385 million. So we continue to see EBITDA growth rates beyond F '20 and we continue to see all of that flowing to the bottom line in that combination of things that continue to generate strong free cash flow above our $700 million in future years.

Maher Yaghi
Desjardins Securities Inc., Research Division

Is it fair to say that you're holding back a little bit on Wireless because of what the upcoming hearing is going to bring out in terms of change or not in terms of policy in Canada?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, a little bit. If i wasn't clear with my previous remarks, that's what we're trying to imply.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. And my last question is on iPhone and I'm trying to figure out what you kind of implied in your guidance when it comes to the cohort of iPhone customers that you loaded closing in on 2 years now in end of November, early December? What kind of churn rate implied in that cohort versus the churn rate you're currently having in your base and the type of subsidy that you are implying to repaying those customers?

Paul McAleese
Former President

Thanks, Maher. It's Paul. I looked into the specific levels of that, but I will just give you a couple of guiding principles. First, anytime we have a customer in a 2-year device financing plan, we see a significant improvement in their churn profile, looking more in the sort of 1% range than in the 1.3% range. So when we report postpaid churn that, of course, includes BYOD, which has a higher churn profile. So you can always assume that we're looking up on people into a device financing plan because it has great characteristics on all fronts.

When we launched the iPhone in December of 2017, of course, every month, we've been taking essentially another cohort of finance subscribers into our amortization schedule and have not had the benefit of customers rolling off that 24-month schedule. And if you just think about the life -- the average life of an iOS subscriber in Canada, it's 2.9 years according to Apple, which means that once they roll off the amortization schedule month 25 through, say, 35 -- 34, 35, they pop back up to their complete ARPU, so there's no longer an accounting impact to that.

So it means that in December, January of this coming year, you'll start to see that first cohort roll off, that will be accretive to ARPU. It's not a big pop right out of the block because, of course, we're also adding people then behind it. But it means that our ARPU story starts to get incrementally better over the course of the last half of the year. And that's a benefit that we have that we're looking forward to. The other operators, of course, have already had that 24-month rule and we've still been filling up that bucket. So we have 3 or 4 more months left of filling it up and then we get to sort of start to take withdrawals from it, which is positive to our story.

Operator

Our next question comes from David McFadgen of Cormark Securities.

David John McFadgen
Cormark Securities Inc., Research Division

Yes. A couple of questions. Maybe I'll start the first one on clarification. Just on the 700-megahertz spectrum, did you say that as far as Western Canada goes, you'll be deploying that in calendar 2020? But Eastern Canada, you'll be done fiscal 2020? Can you clarify that?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

I told you, David, with that -- Paul, just correct me, we meant calendar 2020 it'll be done by in Western Canada. And substantially complete in Eastern Canada by the end of F '20.

David John McFadgen
Cormark Securities Inc., Research Division

Okay. Okay. So calendar 2020 first one, F 2020 after. So just a question on Wireless. Post -- now we're in the Q1, have you seen any impact on your loading from the incumbent's unlimited plans?

Paul McAleese
Former President

Thanks, David. It's Paul. Probably the most significant impact we saw would have been in the early days of it as you had kind of an initial rush in that, that certainly impacted us as I indicated from a churn basis 10 to 15 basis points. So we saw an initial bit of activity there. We continue to like what we see for loading, both the quality and quantity. We've been very clear in kind of telegraphing that we look to have a balanced scorecard the way we manage the Wireless business, which means we're looking to do something in the area of 250,000 net adds over the course of each year and continue to have a strong revenue and EBITDA growth story, and we continue to be tracking nicely on that front. So I think for all the energy and initiatives that we face from the victory, we weathered that storm brilliantly through the course of the summer and continue to do so now.

David John McFadgen
Cormark Securities Inc., Research Division

Okay. And then a question just on the Wireline side of the business. When you look at the Video, the cable video losses, they seem to just kind of be hanging in at this rate. Is there anything in your mind coming on the horizon that could actually potentially lower them?

Jay Mehr
President

Yes. This is Jay again. I mean first of all, we were very pleased with our Internet loads and the right-on strategy for the quarter. We took a significant -- and we're very comfortable with what's happening in the satellite video space, and there's the natural seasonality, which you'll see in Q1. We've got ARPU of $84 in that right now and our business is very profitable, and that'll be a continuation of trend.

But I think your question specifically about the broadband and cable video of significant loss 32,000 in the quarter and that really reflects when we launched our IPTV platform in 70% of our customers in the last 5 weeks of the quarter with some of them being launched with 2 weeks left in the quarter. So we're in a little bit of a technology change that we're holding our powder a little dry and also a little bit more focused on [student]. You probably have seen this week that we've launched our next-generation packaging called BlueCurve Total that really brings all of the advantages of the Comcast program, the very best of the Comcast road map to consumers. And so we're already seeing a significant uptake in that percentage of double-play installs this quarter as opposed to Q4. So we won't get ahead of ourselves. I mean the Video business is the Video business steady and we're steady as she goes in terms of how we're pursuing it. But we'd certainly be disappointed if we haven't another number like Q4 and Q1.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thanks, everyone, and we're really looking forward to FY '20, and we'll see you at the next call or talk to you in the next call.

Operator
This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

This is Exhibit 07 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

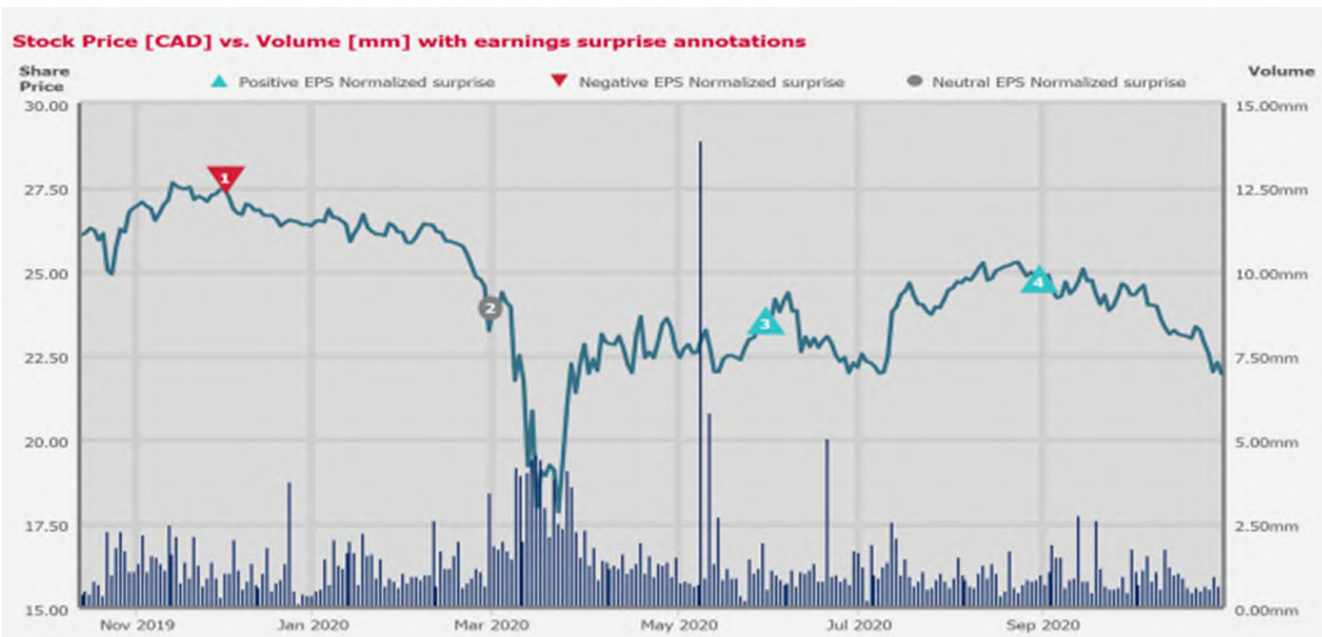
FQ4 2020 Earnings Call Transcripts

Friday, October 30, 2020 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2020-			-FQ1 2021-	-FY 2020-			-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.31	0.34	▲9.68	0.32	1.32	1.34	▲1.52	1.32
Revenue (mm)	1324.99	1349.00	▲1.81	1345.56	5386.94	5407.00	▲0.37	5529.50

Currency: CAD
Consensus as of Oct-30-2020 12:51 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2020	0.34	0.31	(8.82 %)
FQ2 2020	0.32	0.32	0.00 %
FQ3 2020	0.30	0.37	23.33 %
FQ4 2020	0.31	0.34	9.68 %

Table of Contents

Call Participants

EXECUTIVES

Bradley S. Shaw
Executive Chairman & CEO

Paul McAleese
President

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

David John McFadgen
Cormark Securities Inc., Research Division

David William Barden
BofA Merrill Lynch, Research Division

Drew McReynolds
RBC Capital Markets, Research Division

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to Shaw Communications Fourth Quarter 2020 Conference Call and Webcast. Today's call will be hosted by Mr. Brad Shaw, Executive Chair and Chief Executive Officer of Shaw Communications. [Operator Instructions] The conference is being recorded. [Operator Instructions] Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks. Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
Executive Chairman & CEO

Thank you, operator. Good morning, everyone, and thanks for taking the time to join us to discuss our results for Q4 and fiscal 2020. With me today are members of our senior management team, including our President, Paul McAleese; and our Chief Financial and Corporate Development Officer, Trevor English. As we close in on almost 8 months since COVID-19 was declared a pandemic, it has undoubtedly altered many of the everyday tasks in our lives and injected a new level of uncertainty across all industries and businesses. We have also been impacted at Shaw, however, throughout this crisis, we have demonstrated the strength and resilience of our business and strong execution and engagement from all of our Shaw employees throughout a time of significant change.

With the health and safety of our employees as the priority, we shifted to work from home, effectively managed the significant increased traffic on our networks, accelerated digital programs, including self-install and supported our communities. In fiscal '20, our critical high-quality connectivity services have never been more essential to the lives of our customers, as usage soared and remains materially above pre COVID levels today. During the pandemic, we launched new broadband services, including our Fiber+ Gig Internet service to virtually all customers in our operating footprint.

Importantly, our Gig Internet service is now available to over 1 million more customers than our main competitor, showcasing our leadership position with respect to the breadth and capability of our robust Fiber+ network, the direct results of years of facilities-based investments. As further validation, just last week, Ookla named Shaw the fastest and most consistent Internet provider in Western Canada. Our digital initiatives are being embraced by our customers in this environment. In Q4, 79% elected to self-install a broadband service compared to 45% a year ago. The result of which is an improved customer experience and cost-effective solution that has proven valuable as social distancing remains a priority.

Our focus on profitable customer interactions and cost management resulted in an improved Wireline margin for both the quarter and the year. Changes in our broadband pricing and disciplined promotional investments impacted subscriber activity in addition to COVID. However, we believe our focus on customer profitability is a prudent and effective approach, considering the maturity of our Wireline products and services. Shaw business delivered approximately 2% revenue growth in F '20 as the COVID impacts were more pronounced in the small and medium-sized business sector. However, the team did an excellent job of proactively working with our customers to find unique and personalized solutions that continue to support them through this difficult period.

Small businesses are at the heart of our economy and we are proud to serve and support them, particularly through these hard and difficult times. More recently, Shaw business added to its unique line of smart products, providing customers with additional tools and solutions that support a robust and secure work from home environment. Earlier this week, we announced our partnership with Teck resources and Nokia to launch Western Canada's first dedicated 5G ready private LTE network for mining projects. Just another example of how our business unit is adapting to and embracing the evolving needs of our business customers with new services and technology.

In our Wireless business, Q4 marked an important milestone for our company with the introduction of Shaw Mobile on July 30. The customer demand for this innovative service has outpaced our expectations and has remained strong. The launch was supported with new Shaw branded stores as well as additional sales channels through our national retail partners, including the expansion of our partnership with the mobile shop, who now offers both Internet and wireless services.

Although COVID-19 had an impact on wireless customer loading and the competitive environment continues to intensify, we delivered strong wireless net additions of approximately 60,000, 15% growth in service revenue and 25% EBITDA growth in the quarter. We were also one of the only wireless providers in Canada with ABPU and ARPU growth for the year, including our strong Q4 performance that saw these metrics increase approximately 7% and 4%, respectively.

We believe we are well positioned with our 2 wireless brands to drive continued subscriber growth, increase retention through our funneling initiatives and improved customer account profitability. Our significant accomplishments in fiscal 2020 were achieved while managing through a pandemic and simultaneously growing our business. As Trevor will discuss in a moment, we are very pleased with our financial performance in 2020, delivering consolidated EBITDA growth of 3.7% and an increase in free cash flow by nearly 40% to approximately $750 million.

These results are a culmination of our robust facilities-based networks, our focused strategy and our strong execution by the team. I want to thank our employees for going above and beyond every single day. And particularly those on the front lines that continue to serve our customers. Now I'll turn it over to Trevor to discuss the financial results in more detail, including our expectations for F '21.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thank you, Brad, and good morning, everyone. Considering the unique and challenging environment that emerged throughout the year, we are very pleased with our Q4 results and our overall fiscal 2020 performance, which deliver growth that was largely in line with our original guidance that we issued last October. We are proud of our results and the execution by the team considering the amount of uncertainty that we faced as the virus spread, commodity prices collapsed and parts of the economy shut down.

Our consolidated Q4 performance continue to deliver stable results, with adjusted EBITDA growth of 3.7% due primarily to strong Wireless performance in the quarter. Our Wireline segment has been resilient throughout the COVID pandemic, including business revenue that has stabilized. However, uncertainty does remain. While Wireline RGUs were soft in Q4, the broadband pricing that was implemented at the end of May, alongside reduced promotional investments have supported ARPU growth across all products.

Combined with the overall effective cost management, we grew adjusted EBITDA by approximately 1.4% on a pre-IFRS 16 basis and improved our Wireline operating margin in both the quarter and year to over 48% on a reported basis. Wireless service revenue increased approximately 15% in the quarter on the back of continued subscriber additions as well as ABPU and ARPU growth of 6.6% and 4.2%, respectively. On a pre-IFRS 16 basis, Q4 wireless adjusted EBITDA growth was approximately 25% over the prior year.

Turning our attention to F '20 annual results, while customer activity was impacted by the pandemic, our Wireless business -- or pardon, our Wireline business remains stable throughout the year. Adjusted EBITDA grew approximately 1% and profitability improved. Our Wireless segment, which continues to face an intense competitive environment added over 160,000 new subscribers, and we delivered service revenue growth of over 17% in F '20 to $815 million and adjusted EBITDA growth for the year at over 30%.

Consolidated capital investments of approximately $1.1 billion were largely as planned. There were no material changes in our capital projects for F '20, considering our business performance. Wireline spending continues to decline even with record usage on our network. This reflects decades of significant facilities-based investments. Wireless capital spending in 2020 supported the deployment of spectrum additional retail locations related to Shaw Mobile and preparations for the delivery of a 5G wireless service.

Our focus this year resulted in substantial free cash flow of almost $750 million. This represents significant growth over prior years and is a direct result of our focused strategy to enhance our connectivity business and the transformation of our organization become more agile and capitalized on efficiencies. With a strong free cash flow in F '20, we returned approximately $610 million to shareholders in the form of dividend payments and an additional $140 million from the repurchase of 5.6 million Class B shares through our NCIB program.

As we look forward to fiscal 2021, we maintain a great deal of confidence in the strong fundamentals of our business as well as we're excited about the new initiatives that will support our growth and strategic focus going forward. In F '21, we expect to generate continued positive EBITDA growth, capital investments of approximately $1 billion and free cash flow of approximately $800 million. While historically we've provided an EBITDA growth range with our outlook, we continue to be faced with ongoing uncertainty related to COVID and the unknown impact key areas of our organization, including Shaw Business and overall sales activity within our Wireless and Wireline segments.

However, we remain focused on delivering stable Wireline results and growing our Wireless business, supported by our robust facilities-based networks and a continuous focus on capturing efficiency opportunities. Our consolidated capital investment profile is moderating, and we're generating more than double the free cash flow compared to just 3 years ago. Yesterday, our Board approved the renewal of our NCIB program, which enables us to repurchase up to 5% or approximately 25 million Class B shares.

While our NCIB activity was paused in April, as COVID was unfolding and we elected to preserve liquidity, we continue to have considerable balance sheet strength with leverage of 2.3x, which is again below our target range and significant liquidity, including a cash balance of $760 million with no near-term debt maturities. With stable performance of our business and improving and strengthening free cash flow profile and an attractive dividend, we continue to believe that an NCIB program is a flexible and efficient means to return additional capital to shareholders. Brad, back to you for closing remarks.

Bradley S. Shaw
Executive Chairman & CEO

Thank you, Trevor. I am so proud of our performance and our team over this past year. We are moving forward with our strategy on our front foot and remain committed to enhancing the customer experience while providing additional value to Canadians. Fiscal 2021 will bring new and enhanced services to both Wireline and Wireless customers. We will focus on bundling opportunities with Shaw Mobile, to deepen existing relationships and build new ones.

We will continue to enhance our wireless network with the deployment of critical spectrum to enable 5G service this year. And we will further advance our digital initiatives to improve the customer experience and reduce the overall cost to serve. While we have accepted that our new environment is different, we are excited to continue playing a critical role in the lives of our customers. In closing, I'm very pleased to announce the nomination of Steve White to our Board of Directors. Steve has an extensive background in operations and deep knowledge of the cable industry.
For the past 11 years, he has served as President of Comcast Cable Division in the Western United States and has held senior positions at AT&T broadband and telecommunications. We look forward to Steve's contributions beginning in January. Thank you. Operator, we will now take on some questions.

Question and Answer

Operator

[Operator Instructions] The first question is from Vince Valentini with TD Securities.

Vince Valentini
TD Securities Equity Research

Three questions. I'll throw them all at you. So you can think about them and decide how to order -- how to answer them in order. One is on dividends. So if we look at your $800 million in free cash flow target for this upcoming year, that would mean dividend payments of about $605 million would be 76% payout ratio. If you increase the dividend 5%, that would take the payout ratio up to 79%. It's not a meaningful difference, still well covered. And as you know, your balance sheet is very strong. So your perspective on if and when we can get back to dividend growth would be very helpful. Number 2 would be on Internet, probably for Paul.

Q4 obviously wasn't very pretty in terms of Internet sub adds, but you didn't launch Shaw Mobile until August. And I think there was a lot of distortion in June and July from consumer activity and pricing changes you did relative to TELUS. So if you can give us any context on how maybe September and October look relative to the weaker Q4, I think that would help people a lot.

And last, maybe for you as well, Paul, on Wireless churn being up 10 basis points. Can you talk about what's going on there? And specifically, I'm not sure how you -- how you treat it when you have these bounty offers from the incumbents trying to steal your customers. If somebody just wants to sign up for Freedom for 2 or 3 days and then switch to an incumbent to get one of their discounted offers, would you treat that as a gross add and then churn? Or does that not impact the higher churn that we're seeing?

Bradley S. Shaw
Executive Chairman & CEO

Great. Vince, it's Brad. I just -- I'll talk about the dividend, McAleese will take the other 2 questions. As we know at a macro level, it's the dividend increase from a Board decision and both management and the Board are committed to long-term sustainable dividend growth. I would say right now, today, we pay a very healthy 5% yield. And that being said, we certainly are confident about the long-term free cash flow profile of the company. But I'd say in these uncertain times in this environment, we really prefer the flexibility of share repurchase to return excess capital to shareholders.

And I would also say that just looking year-to-date at the Class B shares are down 14%, which creates an attractive price to do the buybacks. And I would just say that we have a great -- significant cash balance, which we can deploy $760 million, which I think is very good use. And we continue to -- well I would just say we continue to make sure we, in this environment, you want to have sustainable dividend growth over the longer term and it's something we feel that we'll continue to address as we go forward and leave that with the Board to make the right decision.

Paul McAleese
President

Vince, Paul. If you're good on that, I'll pick up on the other 2. On Internet subs, you're right to comment that we had during the early part of the quarter a significant price disadvantage relative to TELUS. You'll recall that we moved to the launch of our Fiber+ Gig program in late May, May 27. And TELUS didn't respond in any way until the first week of July on pricing and not -- and didn't at that point come all the way, so we maintain a price premium through the course of the quarter. So we had a relatively slow start to the quarter.

And of course, we didn't launch Shaw Mobile until the very end of July. So the things that we expect will over time help improve are Wireline market share, Internet market share. I describe them as a process. We've been very clear about what our objective is here, and that starts with returning our Internet base to positive subscriber growth. But it's a process with a very deliberate set of moves, not dissimilar to what we did in the Wireless business over the last 2 or 3 years.

And while I'm impatient, these are all things that are now underway. So the first thing we did during the quarter [you would have] seen is make sure that we improve the product foundation for Internet. And that began with the launch of those 2 new high-speed tiers, getting Gig into the market to make sure that we were there to address the emerging needs of work from home and the other pressures that we're seeing at the residential Internet level.

But overall, we felt that through the course of the quarter, we made and continue to make -- and will continue to make in this quarter significant product enhancements for the customer experience. Those product changes are not going to be supported by a broadened and improved distribution model for Internet. You'll have seen and Brad commented that this week we brought Loblaws mobile shop, they've been a fantastic partner for us on our Wireless business in recent years. They've been a fantastic supporter of Shaw Mobile since its launch in late July.

And you can expect to see us continue to build on our third-party distribution capability for Internet this quarter as well as continuing to open more of our very effective and stunning new corporate stores, Shaw branded corporate stores in B.C. and Alberta, where we frankly lapped an appropriate retail presence in a lot of markets. We just haven't had been where people wanted to buy us. So those are all things that happen over time.

Finally, we see the bundle here, Vince, as a really important part of our growth strategy. It has enormous potential to complement our Wireline profitable Internet business. But we face a competitor in TELUS, a very, very well-managed competitor, who continue to spend very aggressively to acquire customers in a mature market. You don't have to look too far to look to find a $500 Visa gift card for signing up to TELUS Internet bundle. You've heard me in the past, be very plain about our view on the level of swapping between the 2 companies in a mature market and we continue to think that that's unnecessary and lost economic rent.

So we -- as long as we face that economic pressure, those sort of acquisition pressures, we now have a tool in Shaw Mobile that we will deploy as necessary to meet our business objectives. You will have seen earlier this week we launched $25 unlimited plan. And we'll see how that goes. But know that we have our hands kind of firmly on the throttle. And as necessary, if we continue to see hundreds of dollars of investment from the other side of the house, we'll use those tools accordingly to make sure that we reach our numbers.

So look, we have -- we operate in a market where our competitor has their bundle and we have ours. We prefer ours. We think mobile is a more compelling proposition from the consumer standpoint. And we'll see how it plays out over the next little while. I would not expect to see a dramatic turnaround in our numbers over the course of this quarter. It is a process and it's going to take some time. It doesn't -- these things don't happen overnight. But I like the plan that we have. And we've been able to execute similarly in the Wireless business before.

So I think there's some good lessons that we can bring from Wireless to Wireline here and that process is underway. On your Wireless question, yes, we continue to see kind of a disappointing lack of discipline on Wireless competitive -- the Wireless competitive front. It feels like the market is chasing, frankly, at a pretty considerable expense, a very small pool of available growth.

With less integration and the financial pressures in the economy right now, I think real growth is at a very, very modest level. And the promotional pricing you're seeing out there is intense. You'll have seen this week, that all 3 competitors now have what I'll loosely call an EPP, but I think we all know is broadly just an available plan that has 20 gigabytes out at $50, that was $180 18 months ago. We are the fourth player in the market. We have less than 20% of the subs of the big 3 each. We do not drive this ship. And if we're going to see that lack of discipline, it's -- I think any casual observer would come to the conclusion that you can't solve the service revenue problem, an ARPU problem by discounting at this level. Particularly when there's not a lot of market growth.

So in the end, if we're going to see these bounties back and forth, as a new entrant with a smaller, less mature network, we're going to need to be priced below the incumbent. So there is a real risk that if this continues, it will drive us to price lower. I'm an optimist.

So I'd like to think that the market pressure on service revenue growth will ultimately prevail here, but we'll have to see. In answer to your specific question, if a customer get back and forth to take advantage of a bounty, we count that as a negative gross add. It doesn't affect our overall churn. So the 10 basis point inflation in churn was related to the impact of this kind of activity and just the general macro competitive pressure.

Operator

The next question comes from Drew McReynolds with RBC.

Drew McReynolds
RBC Capital Markets, Research Division

Vince covered off a lot of my questions, maybe 2 or 3 follow-ups here. I think, first, from a CapEx standpoint, Trevor, you alluded to, obviously, a nice reduction in overall CapEx. I think it was $1.4 billion a few years ago, now $1 billion guided for this fiscal. Just can you comment on kind of the degree of sustainability of that level of CapEx, given both of your Wireless and Wireline segments.

The second, maybe to you, Paul, on 5G. I think Brad just mentioned that, that will be kind of launched in market, I think it was said this year, I'm assuming that this fiscal year. Maybe comment on where Shaw is currently on that build-out? Are you still intending to be a fast follower as more and more 5G developments play out over the next few years.

Lastly, on the operating environment, more on the B2B side, you do sound cautious. I think everybody is cautious out there. Maybe Trevor, could you provide what you're seeing as of today in terms of the trend from businesses, that would be helpful.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. Sure, Drew, thanks for the questions, and I'll start on the CapEx sustainability. Obviously, you've seen our CapEx intensity moderate over the last few years, as you correctly point out. And again, most of that is frankly within Wireline. And I'd say a big part of that is just related to our transformation that we embarked on a number of years ago and we see that as being very sustainable. I would say, the continued sort of slight decline this year versus F '20 in terms of what we guided towards, the majority of that is within Wireline again and again, self-install supports that. Our networks are in fabulous shape, our Wireline network.

And I'd say, again, that is due to the significant investments that we've done over numerous years. We're going to continue to invest in the Wireline network as we need to. But again, that is moderating. We're sort of looking at more of 17%, 18% CapEx intensity going forward. On Wireless, we continue to make the right investments to improve the network and the customer experience in general. We look at that sort of bucket as being very stable this year versus last year, around the $300 million mark.

And we don't see significant sort of forklift capital required in the future. I think we can really live within the roughly $1 billion sort of CapEx envelope to fund the investments that we need to drive this business going forward. So we're pretty confident, Drew, in that CapEx and that profile that we've got going forward, that of course, really supports a very, very attractive free cash flow profile as well.

So we have a lot of conviction as a management team and the Board about the free cash flow profile of the company, which reflects a moderating capital intensity in the consolidated business. That being said, we're not starving the business of capital either. We're still spending roughly $1 billion. And we think that's the right envelope now and into the future.

Paul McAleese
President

Yes, Drew, on the 5G question, following on Brad's comments, we'll -- you can expect to see us live in the market in early calendar '21, so kind of in calendar early -- kind of mid-calendar Q1. And we're hugely optimistic and bullish on 5G's potential. I think you've seen from other operators and globally just the potential that this has.

That said, in the short term, while we are essentially a fast follow simply because of the way that the spectrum auctions work and the fact that 600 hasn't been unpacked yet. We're excited about this, but I think in the short term, the voice of the customer is kind of what's really important here. We do extensive research, as you can imagine, about this. And while the industry is talking up 5G, I think, in a quite sensible way right now, there isn't really a compelling use case.

Even -- we've done some research in the last number of weeks against in tenders for the Apple 5G iPhone. The people that are buying it from us tell us they want the new iPhone, but they're not really that interested in the 5G part of it because there's not a use case that's really driving that at this point. So that will happen and it will happen in time and we will take advantage of that. I think the industry may want to reconsider how it monetizes that over time. We're kind of a little bit disappointed that at this point, the signal from the Canadian industry is that it will be not directly monetized, but sort of just moved up into specific rate card -- rate tiers. That's a strategy, I suppose. I'm not sure it's necessarily the best one.

But over the early part of F '21, you'll see us fairly prominently in the 5G game. And until that time, we'll be able to service our customers with a fast LTE network, that is more than capable for the vast, vast mass majority of the uses that consumers are applying it to today. So excited about it long term. I think it's got great potential. We continue to believe it's going to open up all kinds of new doors for Shaw, particularly given some of our other relationships in Western Canada and what it might do for businesses. But at this point, we will be slightly behind the market in terms of timing, but not concerned about that delay.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And Drew, I think your third one was just on the overall sort of environment with respect to the SME and the business market here in Western Canada. And clearly, it's something that we're extremely proud of in terms of still delivering 2% growth during the last year. I think the teams led by Katherine Emberly did a fantastic job working individually with each one of our customers.

We had a lot of customers in the spring that went on temporary. Suspension of services, a lot of those have come back. However, I'd say they've come back at reduced services, specifically within hospitality and the restaurant industry. They lit up their Internet service again, but their TV services and some of the others were maybe not to the same levels.

Really, you can see from the revenue trajectory, it really has stabilized over the last couple of quarters. And there's still some uncertainty going forward through. It's -- the Western Canadian environment is -- still continues to be challenging. You've started to see some consolidation within the energy landscape recently. And I think most are anticipating that, that will increase. That being said, the teams have actually done a great job in terms of some additional sort of enterprise wins, new business.

And the announcement yesterday, I think, around the tech deal is, again, another example of sort of these innovative solutions that we're providing to the business market. And also I'd just say, generally speaking, the disruptor, the value proposition that we're providing to small and medium businesses, we're pretty encouraged by the product suite that we have in front of us.

We've launched some additional products that's really focused on helping businesses and their employees work from home. So there's puts and takes, but it's clearly something that we're very cautious on, Drew. It's one of those things, like, one of the reasons why we're not necessarily prepared to come up with more of a -- as prescriptive as guidance from an EBITDA perspective as we historically have.

We've been generally growing that revenue on our business segment around 5% a year over the last number of years. This year was 2% because of the pandemic, and it's really tough to see where that's at, but we think we're doing the right thing for our business customers and it has stabilized. So I don't want to scale investors, but it's really tough in terms of immediate line of sight on where things are going here.

Operator

The next question comes from Jeff Fan with Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

A bigger picture question for Brad, perhaps to start and then I'll ask the others as well. The big picture question is, I guess, over the last few months since we spoke last quarter, there's been more news about the potential for cable consolidation here in Canada. So, Brad, wondering if you have any kind of high-level comments that you want to make about cable M&As in Canada and what role potentially Shaw will play in that.

And then the other question is just on the Wireless growth as we look out to '21 and perhaps even beyond. And this is probably a question for Paul. In light of the competitive landscape that you talked about in light of the Shaw Mobile launch, do you see a bit of a shift in terms of how service revenue growth, Wireless service revenue growth looks and the contributors to that, i.e., like subscriber growth versus ARPU growth?

You guys have done a good job of growing ARPU in the last couple of years. Wondering if there's a shift there in terms of a greater focus on driving subscriber growth, especially if this environment kind of continues? And also, like in light of that, can you still grow EBITDA and margin if ARPU growth slows down?

Bradley S. Shaw
Executive Chairman & CEO

Jeff, it's Brad. Thanks for the question. I kind of expected something like that would come on this call. Just a couple of things. Certainly, as a family, we're very committed to the long-term strategy at Shaw. We have a solid strategic plan. We're delivering on our commitments. We have substantial and growing free cash flow. And I think when you look at the balance sheet and be a financial position, right, with strong liquidity tied to that. And I just -- when I look kind of going where we're going from here, and we just launched Shaw Mobile and truly believe we have some untapped growth opportunity realized both on the consumer side and then eventually on the business side, which also includes, of course, a 5G service.

And then I just -- I think about just the technology and the partnerships we have with Comcast and which really allows an enhanced video and broadband services. And finally, I would just say, 50 years in business as a company, we're very proud of our legacy of serving our customers and our communities over that period of time. And we're pretty comfortable where we stand now with where Shaw looks and are comfortable in that position.

Paul McAleese
President

Jeff, on your Wireless question, which was quite broad. So if you just indulge in a moment. We've been clear for my time here over the last 3 years that we look to grow our Wireless subscriber base by something in the range of 0.25 million subscribers a year. And we will continue to reiterate our expectation that we will grow our Wireless subscriber base by 0.25 million subscribers a year. So just in case that's unclear to anybody on the call. The means by which we'll get that may change over time.

And you'll certainly see, for example, the stronger bias to Western Canada than we would have had in the past. And we signal that some time ago, historically, Western Canada has been about 1/3 -- 30% to 33% of our gross adds. That number is clearly shifting upwards with our new priority on Shaw Mobile. And ARPU, and this is probably a longer conversation for another day, but ARPU will, of course, start to moderate as a result of lower revenue Shaw Mobile customers, but of course, there's a value trade there with the Wireline side.

So even if you look at the move we made earlier this week, it's $140 plus for our customers to buy that $25 plan on our Gig. So it's going to -- that will have a dilutive effect on ARPU, but it will have a materially positive effect at the residential level for Shaw. So we may be prepared or are prepared to trade some of those traditional metrics in a way that enhances value for the organization. So I think there's going to be some kind of reporting things. We'll have to get to probably next fiscal, then may change that.

But just as you start to watch our metrics, know that there's going to be some impact from that over the next little while. I'm thrilled with how well ARPU performed. I think we were nicely above consensus on the [beat] this quarter. And certainly, the more successful we are on -- in kind of Western Canada, you'll start to see those numbers moderate. We are definitely seeing impairment, not to the same extent of the big 3, but we're seeing impairment that looks semipermanent on roaming. [indiscernible] was a larger -- rather a smaller percentage of our overall ARPU, but that's difficult to replace.

And it's certainly difficult to replace against the backdrop of the Wireless intensity that we're seeing. So my earlier comment about my optimism was driven by the fact that I think it's hurting the other guys worse than us. And if you are a believer in how well managed this category has been and I am over the years, you'd like to think that kind of greater sense prevails. Maybe it's worth observing that for a long time, these have been growth businesses for the big 3 and right now, they're just not growth businesses, not really on a net basis. There's a lot of stuff kind of buried in the numbers as we all know in terms of new subscribers.

And maybe they need to be managed more like a mature business than a growth business. And if that was the case, then I think we probably stopped doing stuff like 20 Gig for $50 and chasing the other around -- around the market. So I'd like to think that MRC is going to be a bigger contributor to ARPU than it has been in the past. It's going to need to be if overages are gone, if roaming is impaired, and those look like, unfortunately, longer-term propositions at this point.

So we remain enormously bullish on our Wireless business. We continue to believe that our growth aspirations are manageable and achievable. But we are at the whip end of the market on a lot of things here, right? We're a small player and we don't dictate the terms of market conditions. So maybe a question you need to ask some other folks over the coming weeks.

Operator

The next question comes from Aravinda Galappatthige with Canaccord.

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

A couple from me. First of all, I think you alluded to sort of the Teck deal that you announced, I think, yesterday. I wanted to kind of build a little bit on that and get your thoughts on that sort of product line, particularly in terms of economics as well as sort of the runway to kind of expand in that particular area, private networks is getting more and more popular. So wanted to get your thoughts on that and perhaps any kind of capital commitments that you'd have to employ to further that area.

And secondly, on bad debt provisioning, I wanted to get a sense of what you're seeing in terms of collections? Is there any sort of variances that should be highlighted? And a quick follow-up on the Internet net adds. I was wondering if you can talk a little bit more about the retention aspect. I mean it sounds like it's mostly gross adds, but just on the retention aspect at the high end where there was, there continues to be sort of a more meaningful differential in pricing. I'll leave it there.

Paul McAleese
President

Thanks, Aravinda. It's Paul. I'll take the first one and the third one, and Trevor will take the second one. Yes, I'm thrilled with the Teck deal, and Katherine and the team, I think, did a great job of bringing up to market, really a first of its kind private LTE deal in this country. And we think the first of a number that we'll look to announce over the course of the coming quarters. This is a decent-sized opportunity and really a great spark. It's a great indication of the fact that there's still life in the resource sector in Western Canada in a lot of regards.

We are seeing a lot of interest on deals like this, there's been inbound even since the release. And the team continue to work that file. It is very efficient for us. It's one of those sort of wonderful opportunities of -- that's not spectrum that would have typically been deployed in any residential or consumer way. The fact that we're able to deploy it in a manner that is so useful for those companies is really, really exciting, and it does kind of signal a new opportunity just broadly for our Wireless business.

The CapEx side of it is actually quite efficient. Oftentimes, we're able to work the cost of that right into the deal. And this is typically equipment that is owned and operated by the company themselves or third parties that they brought in on their behalf. So it's quite efficient from a CapEx standpoint, and we are expecting to see more progress here over the coming quarters, but great work from the team there.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. Let's say they're sort of -- generally speaking, there have been a long-tenured deals as well. So there's -- but to Paul's point, each deal is somewhat unique from a capital perspective, but most of that is generally covered by the customer. From a bad debt perspective and just collections in general, I'd say we continue to be extremely pleased from the payment history, both on the Wireline and the Wireless customers over the last number of months or 8 months since COVID-19 came about.

There hasn't been any significant material issues that we've had to deal with. We're watching it on a daily basis. If you remember, Aravinda, we took about a $5 million charge last quarter related to bad debt across the enterprise. We did take some incremental expense related to bad debt in Q4. However, I would say it was fairly immaterial and was less than the charge that we took in Q3. So overall, we think we've provisioned it appropriately. It's less than about $10 million, just around $10 million, a little bit less for the year.

And again, we're very, very, very pleased with the payment of all of our customers. And I think it goes to value proposition, specifically on the Wireless side in terms of the average ARPU, just over $40 and the utility that we're providing to customers in their home and to businesses, they are paying their bills and we're watching it closely. But it's clearly a risk going forward, Aravinda, and we'll update you and the entire Street if there's material changes. But as we sit right now, here at October 30, we feel like we're in good shape.

Paul McAleese
President

And Aravinda, back to me on your question about retention on Internet, and I'll maybe answer it a couple of different ways. We -- for a number of years, we were, frankly, losing ground to tell us in terms of the way the customers perceived our Wireline network, specifically the Internet product, and the launch of Fiber+ and our new rate plans back in May has very quickly started to turn that around.

So while I acknowledge the softness in Internet net adds in the quarter, I would draw your attention to the fact that we also had significantly better than expected contribution from that line of business as well. So we focused a little more on quality during the quarter while we were rebuilding that game plan that I spoke to earlier. And one of the things that has been a nice outcome is that we have started our 715 gig speed tiers, have started to appeal to part of the market that we were previously losing on a pretty much exclusive basis to TELUS. Those more affluent families, those folks that are looking to just simply improve and harden the network quality within their residents really are now provided with a choice in the market where previously there wasn't one.

And we're seeing a nice uptick in our shift in demographics in terms of who's now buying that product. So encouraging signs on that front as we kind of move up into the right on the speed tiers. And then just on a separate related comment on retention, I'd also tell you that while it's early, Shaw Mobile is, by definition, a tool designed to secure and entrench our relationship with our existing Wireline subscribers. So by definition, to be a Shaw Mobile customer, you need to be a Shaw Internet -- qualifying Shaw Internet customer.

So as we grow that market over the course of the coming quarters, we will essentially introduce into the math a cohort of subscribers who are essentially very, very well secured and very well protected from competitive offers, and we essentially fall out of the denominator of potential churners. So while it's early, we're starting to see some nice security on that front. And again, as designed, Shaw Mobile is there to protect and cover our Internet base higher-margin product side.

Operator

Your next question comes from Tim Casey with BMO.

Tim Casey
BMO Capital Markets Equity Research

A couple for me. Paul, I'm wondering if you could expand upon your comments about your concern regarding the monetization model for 5G that you see out there. What kind of model would you be supportive of or aspire to with respect to that? And maybe if you can talk about how you're monetizing the private network model with Teck as [indiscernible] foray into that?

And the other question was, could you talk a little bit about your digital onboarding ability in Wireless? Reduced foot traffic, those type of things, obviously, would hinder a traditional retail distribution model. Just wondering if you can give any stats on how you're progressing with respect to onboarding people without the traditional model, be it a hybrid model or a pure online onboarding model?

Paul McAleese
President

Yes, certainly. Thanks, Tim. Thanks for those. Yes, the comment about 5G monetization was more a reflection that I was hoping that the industry didn't simply absorb the cost -- the incremental costs of that 5G spectrum and build out into a declining pricing environment. And I appreciate that initially there was a signal from the market that it would be temporarily suspended and then monetized to some incremental degree, perhaps $10 or $15 more for those faster rate plans.

And it looks like the market's kind of come off that. And now we're simply saying we're just going to -- as long as you're on a certain level of plan, we will include 5G. It's -- I would have liked to have seen a little more of a consumer test there and to see whether or not there was a capacity and willingness to pay for that. Anybody that operates in Toronto and drives along the toll road, that is the 407, knows that sometimes you pay for faster lanes and you're willing to do so.

There would have been nice if there was an opportunity to kind of test that and I'm not sure that we're going to get that opportunity. So the risk here is that we spend billions of dollars on spectrum and build-out and simply just absorb it all. So from my standpoint, I would have preferred to see something that maybe look a little bit like the 3G LTE pricing back in the day where it was bit of a step-up to the higher speed.

But again, we're not the driver of that particular pricing strategy. So we will probably be the kind of the price taker on that front once the market decides where it's going to net out. On the private LTE deal, where the terms of those deals are, as you imagine, are confidential, but suffice it to say that we, as Trevor pointed out, these are long-term deals that are -- because they're built into these facilities are very, very secure, essentially no churn and very, very encouraging kind of from a pricing standpoint.

So we like the partnerships there. Digital onboarding, I would characterize us as being somewhat behind the industry, but I'll kind of charter -- we will fill in the blanks on the why. When we look at our Wireless business today, which has been historically 70% in Ontario, we compete against operators there, specifically Rogers and Bell, who have had the opportunity to curate their residential partners or residential customers for credit. So really, a lot of what they -- when they talk about kind of clicks and bricks, I think they're often talking about really hybrid of recognizing that they know the creditworthiness of a lot of these households because of their Wireline relationship and then able to sort of manage them accordingly.

So today, in Ontario, for example, if someone wanted to buy a new iPhone 12 and gave me their address in Oshawa, we would have a really difficult time determining whether that household was sufficiently creditworthy and kind of trustworthy from a fraud risk standpoint, because I think we don't have any other relationship with them. Rogers or Bell, if they have a payment history with them on that home for the last 3 or 5 or 10 years, is in a much better position to establish whether or not that's a risk they can take. We -- so I think on Wireless in Ontario, they have an advantage there that is probably structurally permanent relative to us.

In the western part of the country, we've been busy working with our finance colleagues to develop exactly the same capabilities. And to make sure that our data analytics and our digital capabilities are one of our top development priorities. I'd say we're rapidly closing the gaps that exist between ourselves and the incumbents, but I'm quite comfortable saying that this is an area where we have lagged.

Frankly, having been the owner of this Wireless business for 4 years now, most of our priority early on, Tim, was making sure that we brought our network quality and distribution up to speed. And these are some of the things that lapped. It would have been nice to have been more on top of the digital capabilities and I'll take responsibility for not having done that over the last couple of years because I was in the seat.

But it is something that we're now quickly bringing things up to speed on. One of the reasons I'm so excited about having partnerships for Wireless in the West that look like Walmart and Loblaws is because regardless of what might happen in traditional malls, a good friend of mine says people still need to eat.

So we will continue to see traffic, considerable traffic in Loblaws and Walmart's retail footprint here in Western Canada. And because of the strength of our partnership with them on the Wireless front, we'll continue to have opportunities there as well. So expect us to get better at digital, recognize that we probably have a structural disadvantage in Ontario and in the West, we will then have a structural advantage.

Tim Casey
BMO Capital Markets Equity Research

If I could just squeeze one follow-up in. Regarding Internet loading, and the aspiration you had set out earlier this year to get more of your fair share of net loading in Western Canada, do you think that's an achievable target for fiscal '21? Or are we more likely to see something trending to that in '22 or '23?

Paul McAleese
President

Yes. There's nothing like someone bringing back your first comment from being in the new job. Thanks for that, Tim. We -- I have enormous aspiration and confidence in our team that we'll be able to get our fair share. Let me maybe take this opportunity to redefine fair share. It's a tricky piece of evaluation, and we had this conversation yesterday with our Board around what is actually in the denominator for ourselves and tell us when we report.

And without trying to sound like I'm hedging on this, one of the things we struggled with here is the lack of transparency, probably from both organizations on what's in Internet net adds, is difficult to make an apples-to-apples comparison. So I don't think there's any debate that we have been in a losing position on market share over the course of the last number of years. But what I want to make sure we do as accurately as possible is not over or underreact to competitive moves that we may not necessarily have even an opportunity of sharing.

So I'll use, for example, the market of [golden out] here where a large ski community that is covered by TELUS' wireless network but not really doesn't have much of a wireline presence for anybody. And TELUS have a very strong presence for their wireless hub product, which I believe gets reported as an Internet

net add in which we have absolutely no ability to have any market share there because we don't have deployed spectrum in that market.

So that likely counts in their net adds. There is the Internet for Good program, which they've been very aggressive with during COVID, which is obviously a very low revenue piece of the pie. Our aspiration here, Tim, to be clear, is to ensure that we get our fair share where we compete. And I should have been more specific about that when I talked about it in April. So I'll clean that up now. But where we have facilities and where we compete against tell us, that's what we're looking to get our fair share of.

Tim Casey
BMO Capital Markets Equity Research

Can you put a parameter on that? How much of your footprint would you say you have the ability to compete?

Paul McAleese
President

Well honestly, Tim, we're doing that analysis now. Our -- and when you think about fixed wireless, for example, that's an example -- we have probably somewhere between 200,300 thousand households in Western Canada where we have wireless coverage but not wireline coverage. I suspect that number is significantly higher for TELUS. That's where we're doing that math now. But it's probably going to have to wait for the next call for me to give you a more thorough answer on that one.

Operator

The next question comes from David McFadgen with Cormark Securities.

David John McFadgen
Cormark Securities Inc., Research Division

A couple of questions on Shaw Mobile. I don't know if you can provide us with these data points, but that would be helpful. I was wondering if you could tell us what percentage of your net adds were actually Shaw Mobile in the quarter. And then of those Shaw Mobile net adds, what percent are taking the bundle? I would imagine, it's probably 100% or close to 100%.

And then lastly, when you look at the Internet performance in the quarter, has Shaw Mobile delivered any brand-new Internet customers for you? Or is it just too early because it just launched and all the Shaw Mobile customers are pre-existing Shaw Internet customers?

Paul McAleese
President

Good question. Thanks, David. Yes, in order consistent with what the treatment that the incumbents used for delineating between brands, we won't be breaking out Shaw Mobile versus Freedom brand at any more than the others do between their flanker/fighter and primary brands. So that -- just going forward, you won't see us break that out at any point. It is, if you'll recall, we launched on July 30.

So we only had a month of that activity within the year's numbers. So [indiscernible] quarter's number, so you can kind of get a sense of how that may have impacted the quarter. You're correct, 100% of the people that are on Shaw Mobile are in the bundle. So again, today, a qualifying event for Shaw Mobile is that you need to be within one of the applicable Internet plans. And to be clear, if you were to remove yourself from that Internet plan, your pricing changes on Shaw Mobile. So there is essentially a reward for staying within that bundle.

And so far, we've seen essentially everybody stay within it. So the churn on that group is exceedingly low during the quarter. And then -- sorry, the third question was on new subscribers, new Internet subscribers. Yes, fundamentally, the early appeal of this, which you won't be surprised that reward disproportionately people that take our higher-value plans, that will have a higher pull-through of competitive users, I suspect.

David William Barden
BofA Merrill Lynch, Research Division

Okay. And then maybe if I can just have one follow-up. Did you see any discernible negative impact of Freedom from the [wins] of Shaw Mobile in the marketplace?

Paul McAleese
President

I wouldn't call any of it negative. There is certainly a small degree of brand migrations, which we are very comfortable with. So we do have people that are on Freedom who may also be a Shaw customer, and we were very prepared and quite happy with them coming over locking -- moving from Freedom mobile over to Shaw and locking into the bundle. We love that value trade. And if we can secure that, we'll take that all day long. It's a relatively small percentage, though, David. So I wouldn't characterize it as something that's going to have an impact on any of the Freedom metrics.

Operator

This concludes the question-and-answer session. I would like to hand the call back over to Mr. Shaw for his closing remarks.

Bradley S. Shaw
Executive Chairman & CEO

Great. Thank you, operator, and our best wishes for everyone to stay safe, and we'll talk to you in the new year. Thank you.

Operator
This concludes the time allocated to today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

PUBLIC

This is Exhibit 08 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Shaw Communications Inc. TSX:SJR.B

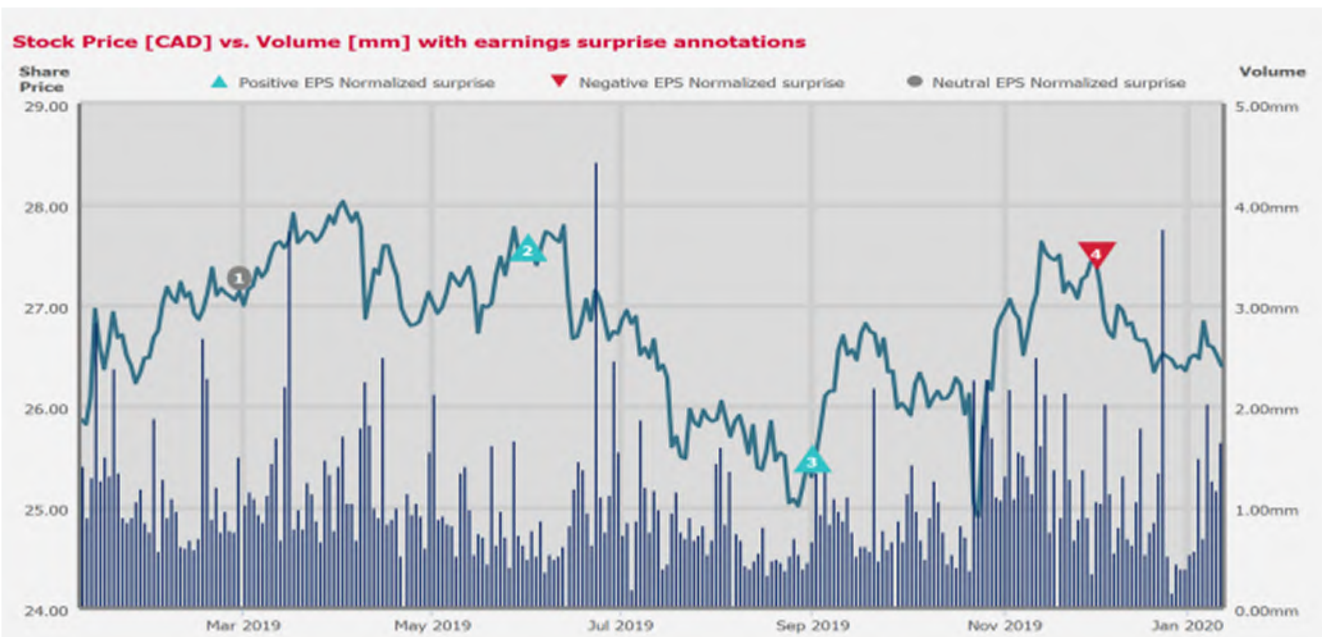
FQ1 2020 Earnings Call Transcripts

Monday, January 13, 2020 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2020-			-FQ2 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.34	0.31	▼(8.82 %)	0.34	1.38	1.47
Revenue (mm)	1383.76	1383.00	▼(0.05 %)	1353.73	5495.45	5666.74

Currency: CAD
Consensus as of Jan-10-2020 8:32 PM GMT



	- EPS NORMALIZED -		
	CONSENSUS	ACTUAL	SURPRISE
FQ2 2019	0.30	0.30	1 0.00 %
FQ3 2019	0.32	0.44	2 37.50 %
FQ4 2019	0.29	0.33	3 13.79 %
FQ1 2020	0.34	0.31	4 (8.82 %)

Table of Contents

Call Participants

EXECUTIVES

Bradley S. Shaw
CEO & Non-Independent Director

Jay Mehr
President

Paul McAleese
President of Wireless

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

ANALYSTS

David John McFadgen
Cormark Securities Inc., Research Division

Drew McReynolds
RBC Capital Markets, Research Division

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Thank you for standing by. Welcome to Shaw Communications First Quarter 2020 Conference Call and Webcast. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. [Operator Instructions] The conference is being recorded [Operator Instructions]

Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information, and there are risks that actual results could differ materially. Please refer to the company's publicly filed documents for more details on assumptions and risks.

Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator. Good morning, and happy new year, everyone. With me today are members of our senior management team, including Jay Mehr, Trevor English and Paul McAleese.

As we embark on another year, the execution of our overall strategy remains the focus. We have delivered another quarter of stable Wireline results, and we continue to grow our Wireless and Shaw business divisions. We have also commenced some of our previously announced capital return initiatives as our consolidated Q1 results are in line with our expectations, including significant free cash flow in the quarter.

In Wireless, we delivered both robust subscriber growth and strong financial results. We added almost 67,000 postpaid customers during a quarter when the pricing environment was extremely aggressive as it has been since the incumbent's launch of the unlimited plans last summer. The intensity of this dynamic drove both our gross additions and churn up over the prior year. Though, overall, we continue to be pleased with the quality and quantity of our subscriber growth, including increased ABPU and ARPU of both 4.1% -- 4.5% and 1% year-over-year, respectively, driving Wireless service revenue and EBITDA growth in the quarter.

In Q1, we also began successively renewing subscribers from our initial December 2017 iPhone cohort. Despite these customers graduating during a period of intense promotional activity, we are pleased with the early results of our renewal programs. We continue to invest in improving our network for the benefit of our Wireless customers. The deployment of 700-megahertz spectrum is substantially complete in Western Canada, and we plan to be fully deployed in the east by the end of fiscal 2020.

Within our consumer operations, we are steadily growing broadband RGUs, and we're delivering a better customer experience. In late October, we launched Shaw BlueCurve Total, which bundles our fastest internet speeds and IP video with a straightforward approach to rich content at an all-in price point that is attractive to the traditional or family-orientated consumer segments. This clearly had an impact in our subscribers in the quarter as the pace of video losses slowed considerably to our best result in over 2 years. As our IPTV availability continues to grow, now at close to 80%, so too does a number of customers choosing to self-install, which has increased to 48% in the quarter. Our premium Shaw BlueCurve services appeal to the family segment, while our newly launched Freedom Home Internet targets the younger, city-living and heavy data users. With our dual-brand approach, we have established distinct value propositions to meet the needs of different customers -- different customer segments, and we will continue to build upon this strategy in fiscal 2020.

Overall, Wireline results in the first quarter were solid and in line with our commitments, which reinforces our free cash flow growth profile in fiscal 2020 and beyond.

I'll now turn it over to Trevor to discuss the Q1 financial results in more detail.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thank you, Brad, and good morning, everyone. With some changes to the way we present our reported results, including the adoption and implementation of IFRS 16, let me walk through the numbers in a bit more detail.

Consolidated revenue increased 2.1% to $1.3 billion, and EBITDA increased over 8% to $588 million. This includes a $38 million impact from IFRS 16. Excluding this new accounting standard, EBITDA increased 1.1% over the previous year, and as Brad mentioned, this was in line with our expectations.

Wireline revenue in the first quarter declined by approximately 1.5%. The decline was due primarily to continued losses in the mature Consumer Wireline products, partially offset by growth in Consumer Internet and business. Note that for Q1 business results, the comparable year includes revenue from our Calgary1 data center, which was sold effective August 1, 2019, and if we adjust for the disposition, business revenue was up approximately 5% in the quarter versus a year ago.

As we previously disclosed in our F '19 annual report, we have also made some minor reporting changes within our Wireline segment. Effective this quarter, revenue from our Broadcast Services and wholesale TPIA that was previously reported under the Business segment is now included in Consumer revenue. However, the prior period has also been adjusted so the figures are comparable. And we note that this change is only between segments, therefore, there's no change to overall Wireline revenue or EBITDA in F '19. The combined impact on revenue is approximately $36 million in F '19 that moved to consumer, which was previously reported under Business.

Wireline EBITDA increased 3.4% this quarter, which includes $21 million related to IFRS 16. Excluding the accounting impact, Wireline EBITDA was in line with the previous year, and our margin remains strong at 46.5%. This reflects our continued focus on capturing operating efficiencies.

First quarter Wireless service revenue increased over 18% year-over-year to almost $200 million, and EBITDA increased over 60% to $77 million, of which, $21 million was related to IFRS 16. Excluding the accounting impact, Wireless EBITDA was up 23%, and our Wireless margin improved over the prior year as we continue to scale the business.

In terms of free cash flow, and as we have previously discussed, we have made some adjustments to management's definition to account for lease payments that are no longer classified as operating expenses under IFRS 16 as well as interest on lease liabilities recorded in the quarter. By making these adjustments, our Q1 and ongoing free cash flow will be comparable to historical results.

In the quarter, we delivered free cash flow growth of 12% year-over-year to $183 million. As we near the end of VDP, approximately 370 employees exited in the quarter, and the program is now 85% complete. We remain focused on the execution of our strategic priorities, and we are on track to deliver both the VDP savings in the year and to achieve our stated fiscal 2020 commitments.

Subsequent to quarter end, we were active in the debt capital markets. On December 9, we raised $800 million of senior notes comprised of $500 million 10-year notes at 3.3% and $300 million of 30-year notes at 4.25%. Following this successful offering, we completed the early redemption of a total of $800 million worth of bonds that were maturing in 2020 and 2021. Post our financing activities, our next significant maturity is not until November 2023.

Our balance sheet and liquidity position continues to be strong. However, due to the implementation of IFRS 16, effective September 1, we were required to recognize approximately $1.3 billion of lease liabilities on our balance sheet to existing -- related to existing lease obligations. As a result, we updated our target net debt leverage range by 0.5 turn to 2.5 to 3x. And as at the end of Q1, our leverage ratio was 2.5x, which is at the low end of our revised target range.

We've -- we also continue to have a fully undrawn 5-year $1.5 billion committed credit facility. And as part of our capital return initiatives that were announced in conjunction with our Q4 results and F '20 guidance, we repurchased and canceled approximately $25 million worth of Class B shares during the quarter.

Brad, back over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, Trevor. In summary, we are pleased with our overall performance in the quarter. We continue to make investments in our networks, including preparation for the deployment of 600-megahertz spectrum and small cells for an eventual 5G launch. We look forward to more clarity from the regulatory bodies as to how the future of the Canadian facilities-based wireless and wireline landscape will unfold. As our results continue to demonstrate, facilities-based operators provide the most effective, sustainable competition in the market and offer Canadian's innovation and real choice for their connectivity services. Operator, we will now take questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Vince Valentini of TD Securities.

Vince Valentini
TD Securities Equity Research

Can I ask 2 questions on Wireless and 2 on Cable? The Wireless first. You don't disclose COA, nobody does anymore, but can you directionally give us any sense as to how much may have increased in Q1 versus Q4 or Q3 given all the competitive offers out there and given your Absolute Zero plan? I'd just like to get some sort of handle on how much equipment subsidies and other promotional costs are going up.

The second question would be, in December, you finally will be lapping 2 years of having the iPhone, which has lots of positives for ARPU in future quarters, but is there a negative in terms of churn? We already saw churn up in Q1. Is that going to be a little bit tougher when those contracts expire in December? Given all the offers from competitors, should we expect churn to go even higher than 1.5% for December and for all of Q2?

And then the 2 Cable ones, I'll just throw out there, so Jay can think about them while Paul is answering. One is Home Phone. The decline here surprised me a little bit because it's already declined so much in recent years. Correct me if I'm wrong, but it looks like about 17% penetration of your total households now is the number of people who -- on the Consumer side, who take Home Phone, and it's only like 39% of your broadband customers. Are we starting to reach a floor level here? Or do you expect Home Phone to continue to fall at this kind of pace?

And then lastly just Business. Is 5% adjusted kind of what you expect now, obviously, adjusting for the data center divestiture? Or is 5% a bit on the low end of what your target range would be for future quarters?

Paul McAleese
President of Wireless

Vince, it's Paul. Thanks for those 2 questions. I'll take them in order. On your first question about COA. Yes, there's short-term competitive dynamic that we've seen, which has relented a little bit in the last week or so but certainly was well in place through the course of the Black Friday through early January period, probably put about 10% to 15% on the cost of acquisition during that period. I just can -- I kind of classify that as a short-term inflationary dynamic that we expect to and hope to see move back to normalized levels over the course of the next few weeks.

On the iPhone cohort. Yes, I mean, we're -- as Brad said, we're really, really pleased with how positively that initial class of iPhone customers have responded to our renewal efforts, which, of course, as you'd imagine, had been about 2 years in the making as we build up that team. The sheer scale and compressed timing of that renewal cohort was really unlike anything we've ever had to deal with before. So I want to -- just before I answer the question, I want to recognize the efforts of the fantastic work that the base management and the retail sales and our customer care teams have done in building the infrastructure and the capability to make sure that we're ready for success here.

And I won't get too deep into the math on competitive -- for competitive reasons. But I will say that the cohort is largely tracking as expected. December, if you could dream, you certainly wouldn't graduate your first-ever iPhone cohort into the busiest competitive kind of quarter, really, that I can recall in the Canadian market. So we have seen, as Brad indicated, both increased gross adds as well as increased churn. And I would expect that as long as we're seeing the pressure that we're seeing in the marketplace today that the levels we saw in December will probably continue through January. A little bit early to call the Q2 number, but I would say it's probably in or around that range again.

But I don't want to confuse the renewal of the iPhone cohort with just the general competitive dynamic. I'm more concerned about the overall intensity of the market right now and the value that's being put into that market. That and about the renewal, I think we've done just a great job on the renewal, and we've learned a lot. We've industrialized our behavior behind that, and this is something that we're good at now. It's really the overall market that's driving churn.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thanks. Vince, we'll keep going. Your question on Home Phone, we -- we're happy with where we are in our Home Phone business. I think as you look at the calendar year, you'll likely see maybe a slight decline in losses in Q2 and then a better result in Q3. The base is getting smaller. These are extremely high-value customers. One of the things you see in Q1 is our snowbird customers overwhelmingly skewed a Home Phone and come back up on in Q3. So there's -- just the base is small enough now, and it's enough within a sort of booming bundle segment that you see a slightly weaker result in Q1 than in subsequent quarters.

I think to be clear, though, we're talking about very small changes, the trends that you're seeing are the trends in the business. Notably, as we continue to drive segment to the high-value subs, our BlueCurve Total package, which is a super-rich video package with Internet at $169, and you can add Home Phone for $10. A decent portion of our customers are adding Home Phone for $10, but the $10 and the $169 million is not really the strategic thing that we're driving after. So we're comfortable with where the business is, maybe just a slight improvement.

On Business, I think in the medium term, we're right on top of 5%. I know there's a bunch of noise with stuff moving around and the sale of the data center and revenue comp. I think it's important to note the data center really wasn't -- doesn't have any impact on EBITDA comp so probably doesn't have as much impact as you might think. I think in the medium term, we're at the low end of what that possibility looks like. I think that when you think through what's happening in Business, we've got really stable SMB growth that we're very happy with, and it's offset against price competition. And we've got pockets where the economy is impacting our legacy service and large enterprise segments. So lots of moving pieces there. We think in the medium term, an opportunity to tip up above 5%, but I think 5% is kind of in the general range of what we're looking for, for the next couple of quarters.

Operator

So our next question comes from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

I've got a couple on Wireless and a quick one, hopefully, for Cable as well. Just on Wireless, Paul. Can you maybe help us kind of dissect the specific competitive behaviors that were in the market during your quarter or through December that may have caused the higher gross adds and higher churn? I know Vince alluded to subsidies, but there was probably some on pricing as well, so maybe you can just help us dissect what was happening, and whether you've seen any kind of let up since the holiday period has ended into January.

The second part on Wireless is just on your comment regarding the 2-year cohort that it's somewhat in line with your expectations. Wondering if you can give a little bit of color regarding maybe what those expectations are regarding those that would hang on to the device versus upgrading versus perhaps incumbent win-back activities. And then as we look out the rest of the year -- that's kind of the third question, whether you continue to believe that 2020 ARPU growth for this fiscal year will be greater than 2019.

And then the question on Cable for Jay is, it sounds like the BlueCurve Total really had an impact on Video adds. I'm curious why Internet adds didn't quite see the same kind of lift as Video either sequentially or year-over-year. Maybe talk a little bit about the drivers that caused the Video adds to improve so much better than last year and last quarter?

Paul McAleese
President of Wireless

Great. Jeff, thank you, it's Paul. I'll take the first 3 in quick order. On the competitive dynamic over the course of the last -- I'll kind of characterize it from Black Friday through to last week, I think many of you already noted that the incumbents haven't exactly been paragons of pricing discipline during this period. Really, since the launch of unlimited plans last summer, they've been fairly erratic. And that Black Friday through Christmas period was really no different than that.

It's important to kind of observe here. We've seen a significant break with convention from the incumbents in the last sort of while. And in the last number of months, it's been them that kind of led the market down with pretty significant first mover and very expensive spending programs. And it's a long list.

So you asked for some specifics. I'll just call out a few things that I think are notable. During this time, we've seen much larger handset subsidies. We've seen massively discounted second lines as low as sort of $50 for 10-gig for unlimited. Many of you will have seen over holidays some pretty expensive gift with purchase bonuses like Sonos speakers and Apple Watches and AirPods. Gift cards in national retail got up to as high as $400 for some relatively modest MRC plans. We saw a $400 airtime credits of, again, similarly kind of mid-market plans. On prepay, which is an area that we didn't spend a lot of energy on in the last quarter, primarily because we saw pretty significant promotions like first month free, we chose to pursue quality rather than quantity on that front.

And the incumbents even did things operationally that I was, frankly, a little disappointed in like turning a blind eye to whether a customer was really a business or not and giving them sort of business pricing to consumer level subscribers. There were -- I guess, at the end, the thing that was maybe most compelling were the very, I'd call them, fairly desperate win-back programs that we saw with some really extraordinarily discounted offers over the course of the holiday period.

You put all that into the kettle, and I think the sheer scale of that spending in recent months suggests that some of the calculus involved in moving to unlimited so aggressively might have been miscalculated, but it certainly wasn't, at least, mistimed. It is as competitively intense right now and has been for the last 2 months as I've ever seen it. And only really in the last week, Jeff, to the second part of your question, have we seen any relief at all. Some more discipline coming into the market, but I'd still characterize it as early.

Throughout that, our strategy hasn't changed. We are continuing to balance growth and profitability. We're not moving off our expectations for this year in terms of 0.25 million net adds. And in response to the last part of your question, we do anticipate that our F '20 ARPU will exceed F '19 ARPU, and we're still confident on that front. So overall, we have a very confident view of this. We love where the market is. From our standpoint, certainly, it was a -- has been a sort of tricky 60, 90 days. It's inflated GAs, it's inflated churn, but we're still executing exactly as we hoped to.

Jay Mehr
President

Awesome. And Jeff, on your Cable BlueCurve question, just sort of level-setting because you probably don't see in Western Canada all of the marketing that exists. At its highest level, BlueCurve enables customer control of the modern smart home, and we're with our customers every step of the way as that smart home evolves. Great start and a bump in our brand after repositioning Shaw as a technology leader. So happy with where we are. What's driven in terms of Video losses is mitigation of BlueCurve Total losses since -- our mitigation of Video losses since October 22. It surpassed our expectations a bit, and it's really combining our bundling content, fast Internet, all-IP experience and our customers love to self-install it, so we've got a -- we've hit a little seam here, and we have some momentum.

We love the outcome that we're getting on Video subs, but that's actually not really what we're chasing. We're chasing our segmentation strategy and adding high customer lifetime value subs. And by doing so, when changing all of our sales and churn channels to high-value segments, you can see a pretty material shift in mix in our Consumer business today. So subscribers matter a lot, but anchoring them in segmentation and customer lifetime value is really what winning looks like in our modern Shaw.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maybe just a couple of very quick follow-ups. One on Wireless, Paul. On the ARPU greater than '20 versus '19, are you referring to the actual dollar or the growth -- the ARPU growth being higher than 2019?

Paul McAleese
President of Wireless

The ARPU growth percentage being higher than 2019.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Okay. And just one follow-up for Jay. So the -- is it fair to say then the -- whether it's gross adds improvement or lower churn, you're seeing the Video base that you're keeping, I guess, higher quality than you would have seen pre BlueCurve Total launch?

Jay Mehr
President

Yes, for sure. And entirely in different segments, you've seen a shift away from -- sort of within the Shaw brand, away from simply driving kind of mobile millennials. And really, BlueCurve is focused on families. It's focused on booming bundles. So Internet and Video churn are both down, which is, of course, what you would expect, and we continue to drive how we plan the 57% of Internet, Internet customers, all that works. What you can't see is Video ARPU is up and it's up over budget as well. So we're ahead of our plans. And that's really because what we've done is we've put the scale of our Video business, quite frankly, leveraging the scale we get also from Satellite, we have scale in our Video business to negotiate better programming agreements that have allowed us do a high-content rich TV package for our customers. And that's enabled us to compete more effectively in segments. You'll see as we move forward, we've fairly dramatically changed all of our sales and churn strategy around those segments. And you'll continue to see those results in families and booming bundles and other segments that drive customer lifetime value significantly lower churn than some of the spaces our gross adds were coming from in the past.

Operator

Our next question comes from Maher Yaghi of Desjardins.

Maher Yaghi
Desjardins Securities Inc., Research Division

I'll start with a question for Jay. Just on the BlueCurve plans, I noticed some more aggressive, I would say, pricing structure for these plans with prices around $90 versus a run rate price of $189, $190. Just trying to figure out -- we've had, in the past, some periods where the these plans -- these kind of significant first year prices below the second year price helped on the subscriber front but later on caused some issues on the profitability or the revenue that flows into the second year. What's -- do you -- are you finding that you need to offer these significant discounts to get adoption for BlueCurve? Or what's the strategy behind that -- those significant discounts? And the second question is more related to the overall guidance for the year. With the first quarter at 1%, approximately, growth in EBITDA corrected for IFRS and your guidance of -- for the year, can you maybe just talk through how we should look at the rest of the year, improvements in EBITDA, where they're going to come from and just kind of splitting this between Wireless and Wireline?

Jay Mehr
President

Great. I'll start with your questions, and thanks for that. I think I understand your thinking and how you're thinking about our pricing and packaging. And the challenge with the thinking is you -- it's not with the lens that you can think across the board. We're clearly targeting BlueCurve Total, and it's working at completely different segments than we're, for example, targeting Freedom Home Internet. And so our dual-brand strategy allows us to focus on those segments. Our 2-year value plan customers have a significant reduction in churn over our month-to-month customers. And so the customer lifetime value of customers that are being added on the current model are -- is significantly higher than the customer lifetime value we were adding this time last year.

Now recognize, if you compare what our stand-alone month-to-month internet pricing looks like and what our offer is for Canadians to sign up on a 2-year value plan, it looks like it's a deep discount, the math on it, it absolutely works. I think one of the things our competitors are probably struggling with as well is we've got a cost structure now around all of our programming agreements that enables this and, I think, on big packages, gives us a definitive cost advantage vis-à-vis our competitor, and we're clearly going after that as well. So what may look like discounting to you, we're making great money on BlueCurve Total, and it's a great product for us. Again, Video ARPU is up, Internet churn and Video churn are down. I think you'd like the dynamics of what's happening with this space.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And just on guidance, Maher, we -- I think we spent quite a bit of time on last quarter's call talking about how we're running the business, and it really is about delivery stability within the Wireline side of things. And frankly, Brad's comments and in my comments, Q1 was right on track. We're sort of targeting that $490 million to $500 million of EBITDA on a quarterly basis within Wireline. And we feel confident on delivering on that. On Wireless, we continue to see us being able to scale the business and deliver operating leverage. And I think we talked about it last quarter. Again, that will continue to scale during the year. It really is more in Q3, Q4 where you'll see some -- if you look at sort of sequential quarter-over-quarter growth rates within Wireless EBITDA, that's where you start to see the operating leverage within the business really kick in, and it has to do with some of those ARPU and ABPU growth metrics that Paul mentioned earlier in his remarks.

So we feel like we're right on track in terms of the quarterly splits, in the delivery of Q1. And again, I would reinforce just the free cash flow, really excited about the delivery of the cash flow this quarter and continue to have a strong conviction in the free cash flow profile of the company going forward, including the approximately $700 million that we're targeting for this year.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. And my last question on Wireless. I'm trying to figure out, it's very hard to understand who is -- who is beginning -- or who is continuing to be the aggressor in the market in the whole scheme of things. When you look at the market in Q4 and how it evolved, some could say it was a reaction to your significant subsidies in the market for iPhones. You say it's the incumbents who are being overly aggressive on the subsidy model. I guess the question is, now that we have seen first move by some of the incumbents to remove those subsidies on iPhone, are -- is that a positive for you to remove some subsidies or you -- your plans and your subsidy model is continuing as is and that's the plan that you're committed to or you hope to remove some subsidies to improve the profitability of the market -- of the business that you're running?

Paul McAleese
President of Wireless

Maher, it's Paul. You won't be surprised to know that I don't think it's us that's agitating the market right now. If you go back to June 12 of last year, I think you'll get a pretty clear signal on where the market's catalyst was. On the EIP announcement that we've made in recent days, we're going to watch that closely over the coming weeks as it's anticipated to roll out and see what the competition do there. But I think we're probably a few weeks early on a -- for a comment on that.

Operator

Our next question comes from Drew McReynolds of RBC Capital Markets.

Drew McReynolds
RBC Capital Markets, Research Division

Two for me. First, Paul, on the Wireless side, could you comment on what you see maybe over the next year or so in terms of your retail distribution footprint? And can you comment at all with your footprint expansion? I guess looking back, let's say, the last 3 or 4 quarters, how much of your kind of incremental loading is attributed to expansion? Or are you, certainly, satisfied with where you're getting that loading across your total footprint?

And then second question, I guess, maybe for you, Jay. On the base management side, it certainly looks to me when you drill into your Wireline results versus maybe a year or 2 years ago, the base management is certainly improving -- the execution is improving. Where are you from your perspective in terms of that improvement and where you ultimately want to be?

Paul McAleese
President of Wireless

Drew, it's Paul. On retail footprint over the course of the next year, we've been really, really pleased with the growth over the course of the last 2 years. There's probably 1 or 2 more named retailers that we'll look to bring on over the course of the next 6 months or so, and I think they're a nice positive complement to what we're doing. So you'll continue to see growth on that front. Of course, we continue to focus much of our effort in the major malls in Canada. So you'll have seen us building a number of new corporate stores and renovating those out over the course of last year. And the team has done a great job of really just improving the quality and delivery of our retail experience over the last year. So I'm pleased with where we are there. It's a good positive outcome.

On geography, yes, we're starting to see the early contributions from those new markets that we opened over the course of F '19. We saw something like 1% or 2% increase in terms of our gross adds sliding, principally, to the west, that I indicated, I think in the last couple of calls that we would start to see a subtle shift over time as we add markets like Victoria into the mix. So we are starting to see a stronger contribution from the west, which we're pleased to see those have been great markets for us as we start them up.

Jay Mehr
President

And Drew, you're correct, everything's about base management in consumer and so proud of the work that the team is doing, both on revenue and through MRR and also to your value plan now at 57% of internet subs and continuing to grow and continuing to also lower churn in our key categories. Where we are in terms of the industry is we're certainly, with Internet churn, beneath a number of our North American peers. But within the Canadian context and as we continue to drive, we've got some room for improvement here. I think the F '20 story is largely about churn improvement in Consumer. And there's room in F '21 and maybe opportunities with new products in the future, as you can well imagine. So this is our total focus. Love the work the team is doing. We've made good headway, but lots of head -- lots of upside still ahead here.

Operator

Our next question comes from David McFadgen of Cormark Securities.

David John McFadgen
Cormark Securities Inc., Research Division

Two questions. First of all, just on the Video, Cable subs. Obviously, you've made some big improvements there on the losses this quarter sequentially. And I was just wondering if you think you can continue to make improvements like that or you've done a good job and it's probably going to continue to track at this level. And then secondly, given that you've finished deploying the 700-megahertz spectrum in Western Canada, if we were to think just hypothetically, if you wanted to launch Shaw Mobile in DC, in Alberta, like how much would be required in terms of your systems to be able to do that, like billing systems and other systems? Is it quite a bit to do, or it's not really that much and you could go pretty quickly if you decided to do that?

Jay Mehr
President

Great. We'll certainly start with Video, Cable. We continue to be very pleased with how the BlueCurve targeting, which is our focus this year, it's working. It's clear to us that Video losses will improve over F '19. You're seeing extremely strong marketing campaigns that balance results through a pretty solid launch, repositioning Shaw as a technology leader in the consumer space. So whether or not you'll see numbers that look exactly like Q1 numbers, it's really not about us driving a lower Video loss, it's about focusing churn and all of our sales channel on our higher-value segments and our higher-value connected, high-value family customers, our booming bundles, being maximized their lifetime value, bring remarkably low customer churn when you bundle fast home internet with a rich video package. So we're just going to keep doing that, and we're confident we're going to see Cable, Video improvements over F '19, but results of -- probably got a result in Q1 that reflects the strength of the marketing campaign around our launch and some of the excitement around the packaging.

Paul McAleese
President of Wireless

David, it's Paul. Thanks for the question on 700 and deployment in the west. You're right to point out, we've been thrilled with the work the engineering and IT teams have done in order to get that up and running. So we're in a great shape. That is largely complete now in the west. In terms of system requirements and the potential launch of a second brand, nothing to really report on that today. You're going to see us maybe talk about that or get into some customer-facing things in the next number of quarters, but nothing of significance to report today.

David John McFadgen
Cormark Securities Inc., Research Division

Okay. But I mean, would there be a big upgrade required in the systems at Shaw to be able to launch Shaw Mobile and using Freedom's assets?

Paul McAleese
President of Wireless

Well, just sort of at the hypothetical level, your -- if you launch any additional brand on our platform, I think our systems are well capable of dealing with that just as the incumbents have multiple brands hanging off similar systems. So I don't think that's a huge lift. Bigger question is as and when the market might be ready for that, and we're not really going to get into that too much today.

Operator

This concludes the question-and-answer session. I would like to hand the call back over to Mr. Shaw for his closing remarks.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thank you, operator, and thanks, everyone. Have a great day, and we'll be talking to you in April.

Operator
This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

This is Exhibit 09 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Freedom Mobile Inc.

M&A Call

Thursday, December 17, 2015 1:00 PM GMT

Table of Contents

Call Participants

EXECUTIVES

Alek Krstajic

Bradley S. Shaw
CEO & Non-Independent Director
Shaw Communications Inc.

Glen Campbell
Chief Commercial Officer
Freedom Mobile Inc.

Jay Mehr
President
Shaw Communications Inc.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer
Shaw Communications Inc.

Vito Culmone
Former Executive VP & CFO
Shaw Communications Inc.

ANALYSTS

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Drew McReynolds
RBC Capital Markets, LLC, Research Division

Gregory William MacDonald
Macquarie Research

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Maher Yaghi
Desjardins Securities Inc., Research Division

Phillip Huang
Barclays Bank PLC, Research Division

Robert Peters
Crédit Suisse AG, Research Division

Robert Goff
Echelon Wealth Partners Inc., Research Division

Tim Casey
BMO Capital Markets Equity Research

Vince Valentini
TD Securities Equity Research

Presentation

Operator

Welcome to the Shaw Communications conference call regarding the acquisition of WIND Mobile, which was announced yesterday after market closed today. Today's call will be hosted by Mr. Brad Shaw, CEO of Shaw Communications. Please also note that an investor slide presentation in relation to the conference call is posted in the Investor Relations section of the Shaw website, under Presentations & Meetings.

[Operator Instructions] Before we begin, management would like to remind listeners that comments made during today's call will include forward-looking information that is based on certain assumptions, and there are risks that actual results, including those in respect of the business plans and expected results for WIND and Shaw, could differ materially. Please refer to the company's publicly filed documents and the cautionary on the first page of the investor presentation for a discussion on these assumptions and risks. Mr. Shaw, I will now turn the call over to you.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator, and thanks to everyone for joining us this morning to discuss the acquisition of WIND. This combination represents an important and transformative transaction for Shaw and all of our stakeholders. We are excited about Shaw's future with mobility as a key asset to drive growth and exceptional customer experiences, and accordingly, we are pleased that we could come to an agreement with the shareholders and the management of WIND.

With me today are members of our senior management team, including Jay Mehr, Executive Vice President and Chief Operating Officer; Vito Culmone, Executive Vice President and Chief Financial Officer; Trevor English, Senior Vice President of Corporate Development and Business Planning. And we're also pleased to introduce Alek Krstajic, Chief Executive Officer for WIND Shaw; and Glen Campbell, Chief, Commercial Officer of WIND.

After the market closed yesterday, we announced that we have agreed to acquire WIND Mobile for a total consideration of $1.6 billion. This truly is an exciting transaction for Shaw, as it enables us to develop a best-in-class converge wireline and wireless network. Mobility is increasingly important as consumers demand for ubiquitous connectivity grows. We believe that the combination of our significant fiber infrastructure, WiFi network, and now wireless, will offer an exceptional customer experience.

WIND began operation as one of the new entrants in 2008, and has successfully emerged as Canada's fourth major wireless player that is well positioned for future growth. WIND has reached a critical mass with approximately 940,000 subscribers and an attractive portfolio of spectrum assets, which makes this a very compelling acquisition and allows Shaw to enter the wireless industry immediately.

By acquiring a company that already has a solid foundation, including spectrum, management expertise and scale, we have significantly lowered our risk of entry and have done so in a disciplined and prudent manner. While we have a plenty of opportunities to drive growth by leveraging our existing customer relations in Western Canada, we are also excited about our new presence in the Ontario market, which adds scale and geographic diversification.

WIND has strong financial results with expected total revenue and EBITDA of approximately $485 million and $65 million, respectively, for the 2015 calendar year. As the network is upgraded to LTE and the business is integrated with our complementary Shaw Go WiFi and wireline network, we believe there is a significant opportunity for growth.

Turning to Slide 5. The timeline provides an overview of our decisions regarding the evolution of Shaw's wireless strategy. We recall that Shaw purchased 20 megahertz of AWS-1 spectrum in Alberta and B.C. in 2008, and initiated the build-out of a wireless infrastructure. However, the fundamental economics and environment, including access to spectrum, roaming agreements, challenges with respect to tower sharing, evolving wireless technologies and overall market dynamics did not result in a compelling business case that would drive long-term value for our shareholders.

Following a detailed strategic review with the board, we made a decision to pivot our wireless strategy from a traditional facilities-based infrastructure to a carrier-grade WiFi service. In 2011, we began aggressively deploying access points and building scale in the network. We believe this was a disciplined and prudent move on behalf -- on our behalf that allowed us to extend our broadband service outside of the home.

As the global telecom landscape quickly evolved to become mobile first, data has emerged as the key driver for future growth, and there is a strong convergence between fixed and mobile data consumption. It's clear that we need to be in the wireless space.

In early 2015, we began exploring multiple scenarios, which included everything from a greenfield build approach to an MVNO offering. After careful consideration, the best option for Shaw, both from an operational and financial perspective, was to acquire an already proven business, allowing us to participate in the significant upside potential. By announcing this acquisition, Shaw's WiFi strategy also creates significant flexibility in our overall wireless platform.

WIND, our broadband advantage, including Shaw Go WiFi and our X1 video platform, are extremely complementary services. Our WiFi network has extensive coverage in Western Canada with over 75,000 hotspots and approximately 90 municipal deals. Daily usage is increasing for both new and existing customers, and WiFi technology continues to evolve to provide even better customer service. Adding a truly mobile component with wireless will allow Shaw customers to remain on our network 100% of the time due to the complementary nature of the WiFi and wireless networks. There's also the potential to lower wireless operating costs as we leverage our WiFi and fiber infrastructure.

On Slide 7, you can see how WIND complements the entire Shaw platform. We have a terrific set of assets that provides ultimate flexibility to our customers, significant growth opportunities, and the ability to generate significant long-term shareholder value.

I will now turn the presentation over to Trevor English, who will take you through more details of the transaction.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Thanks, Brad. On Slide 8, we've included a transaction summary and metrics. As Brad mentioned earlier, the enterprise value is approximately $1.6 billion, which represents approximately $1.06 per megahertz per POP. We expect to close the transaction during the third quarter of fiscal '16. And the transaction is subject to customary approvals, including the Competition Bureau and the Ministry of Innovation, Science & Economic Development, which of course is formerly known as Industry Canada, as well as court approval of the plan of arrangement.

With a fully committed bridge facility for 100% of the transaction, we're committed to a financing plan that maintains our investment-grade status. And accordingly, we'll optimize the significant flexibility available to us, including potential debt issuance, asset sales, the issuance of preferred or common equity or any combination thereof, and will be provided with additional details regarding the longer-term financing of the transaction prior to close. We're also confirming our current dividend of $1.185 per Class B share.

I'll now ask Alek to walk us through some of the key highlights of WIND.

Alek Krstajic

Thanks, Trevor, and thank you, Brad. I'm equally excited to be here today as a part of the Shaw team, and appreciate the opportunity to talk more about WIND and the success we've had to date. What I'm going to speak to is cover the -- over the next few slides, but first I want to back up and give everyone a quick overview of where we have come from.

WIND has experienced tremendous growth since our ownership change in September 2014. Prior to that, we did not have a clear path to LTE and we not have sufficient funding to be able to participate in the 700 megahertz auction. Following our change of ownership and the recapitalization transaction completed late 2014, we've been able to acquire 30 megahertz of AWS-3 spectrum across our core operating regions. We've installed a new management team and have also received significant additional spectrum from the Rogers-Mobilicity transaction this past summer.

Most recently and just last week, we've announced that we've received a commitment for $425 million in financing from a syndicate of banks, and have also entered into a 5-year network agreement with Nokia, which provides us our key path towards an LTE upgrade. As of September 30, 2015, WIND had approximately 940,000 wireless subscribers, and we've captured over 300,000 net adds over the last 2 years, representing almost 50% growth. Our current subscriber mix is just over 60% postpaid, and we have over 300 retail points of distribution.

We have a strong management team in place to run the WIND business going forward. Bob Boron and Bruce Kirby, who are taking care of regulatory and strategy, respectively, have been in this business for a very long time and know what they're doing. Brian O'Shaughnessy is one of the top technical people in wireless. Glen Campbell, who spent a significant time covering the telecom industry, is a former Head of Canadian Equity Research and Global Coordinator for the Telecom Services Research at Bank of America Merrill Lynch, has also joined the team this year as Chief Commercial Officer.

In 2015, we expect to generate total revenue of approximately $485 million and EBITDA of approximately $65 million. Blended ARPU has grown to $35.81, up 18% over the last 2 years. A big milestone for us is that EBITDA has now been positive for 5 consecutive quarters despite significant subscriber loading, and we continue to build off this momentum.

We have a strong spectrum position with a total of 50 megahertz in key operating areas, and our current network covers a population of over 15 million. WIND has a clear path to upgrade to an LTE network by 2017, a process that is already underway and expected to significantly enhance network quality and capacity. We've just signed a contract with Nokia to complete this upgrade at a total estimated cost of $250 million. In addition, we believe we have sufficient spectrum depth today to manage the transition to 4G LTE.

The value proposition that WIND provides is quite simple: Consumers want transparency, the best value for their dollar and roaming capability without the unexpected high cost. Customers want options when it comes to their wireless provider and we think there is a lot of runway to continue growing both the subscriber base and profitability of the business, particularly as we upgrade to an even faster and more efficient LTE network, enhance the handset lineup and leverage the power of Shaw.

Bradley S. Shaw
CEO & Non-Independent Director

Great. Thank you, Alek. WIND will operate as a standalone entity, with its existing and proven management team remaining in place. However, where applicable, and over time, there are many opportunities to leverage the WIND wireless platform for the benefit of Shaw's Western Canadian focus, consumer and business segments. Providing wireless to our consumer segment strengthens our current competitive position and will increase customer stickiness and retention.

For business customers, wireless is a great addition to the new suite of managed products that we are currently rolling out. For WIND, the partnership with Shaw will provide their customers with converged network opportunities and our commitment to exceptional customer experience.

With the addition of WIND to our platform, we have a tremendous opportunity in both our current cable footprint as well as extending our reach further East. Shaw remains committed to providing our customers with more choice, flexibility and opportunities to stay connected. We believe we have taken a disciplined approach into the growing wireless landscape, which not only enhances our competitive position -- posture, but adds another growth engine to our consolidated business.
Thank you, and we'd now like to open the phones to answer any questions.

Question and Answer

Operator

[Operator Instructions] The first question comes from Phillip Huang with Barclays Capital.

Phillip Huang
Barclays Bank PLC, Research Division

Just a couple of sort of quick ones, I think. I wanted to ask, was there an auction process during -- for the WIND transaction? Were there other interested parties? Is there something that you guys could maybe talk about there?

Bradley S. Shaw
CEO & Non-Independent Director

I'll just say a couple of things. I think we saw the opportunity with WIND, and through our process had done a lot of work and we're ready to approach. And I think from -- once we got -- once the Mobilicity spectrum and our spectrum was all settled out, I think that gave us an opportunity to engage WIND, and we were proactive in that.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes, like Brad said in some of his earlier comments, it was a pretty comprehensive exercise that we went through throughout '15, including looking at all different options to enter into the wireless space, and we proactively reached out to WIND during that process as well.

Phillip Huang
Barclays Bank PLC, Research Division

I got it. And I know I'm probably looking at this a little too simplistically, but obviously you guys only transferred as part of the deal with Rogers earlier this year or this summer, 16 of your AWS-1 licenses to WIND. And so now when you're acquiring WIND, it just seems like it's -- it certainly comes as a surprise for me, and I believe others on The Street as well. I guess, maybe better -- wanted to better understand what's changed from your perspective that -- what's changed, because I guess earlier in the year, there were also 3 spectrum auctions that I assume you guys would have been able to also benefit from very favorable conditions that you guys chose not to participate. And I'm just wondering what have changed in the last several months to, I guess, your approach on wireless versus earlier in the year?

Bradley S. Shaw
CEO & Non-Independent Director

Well, I'll add a couple of things and maybe Trevor can edit. I think one of the things we looked at which was very important to us was to accelerate our opportunity in wireless and derisk it, and we felt WIND was the best way forth in that regard. And listen, we had -- that time Trevor said, we had spent the last 18 months looking at this. We had kind of known that we didn't want to go greenfield, so that kind of told you where you needed to be. And then plus the fact that some of those conditions on the auction we wouldn't have qualified for, for bidding. So we were limited a little bit in that regard. Trevor, you want to add anything?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. Obviously, Phil, it's been a long industry with Shaw and wireless. And back in 2008, we bought spectrum for $189 million or roughly $1 per megahertz per POP. We went through the greenfield exercise. And the industry was very different back then. I think Brad mentioned some of that in his remarks. And we decided to put shovels down in 2010 and pivot to WiFi and entered into an agreement to sell our spectrum to Rogers through an auction agreement that was entered into in 2013, but that was a long process that, ultimately, was exercised in 2015, in June. So a lot's changed within the wireless industry, the dynamics, the regulatory environment, to make it a lot more compelling, business case to enter the business. And like Brad said, AWS-3 auction, that was a different set of rules where you actually had to -- needed to be an existing wireless operator, actually, to purchase spectrum through that. So a lot's changed, but we feel very, very good about the entry point. And sort of this is the right entry point for Shaw and all of our stakeholders, and really has the derisked our entry into wireless, considering the scale, 940,000 subscribers, the network that they have, a clear path to LTE, and of course, a very deep spectrum position of 50 megahertz across some of the -- we think the most attractive markets in Canada.

Bradley S. Shaw
CEO & Non-Independent Director

Yes, and an incredible team.

Phillip Huang
Barclays Bank PLC, Research Division

Right. Right. I think -- I mean, I think the strategy makes a lot of sense. And I think that in terms of the -- when you look at the spectrum holding, obviously WIND has gotten a lot of spectrum over the last -- over this past year. But nonetheless, it is largely -- it is all mid-band spectrum. Do see opportunities? Or do you see any sort of urgency to acquire more spectrum? Obviously, Quebecor has a bunch of spectrum outside of its territory, and I was wondering if there was any sort of interest in spectrum on the -- especially on the lower-band side?

Bradley S. Shaw
CEO & Non-Independent Director

I -- Phil, I think we'll always -- as spectrum comes available and opportunities, we'll look to see where it's important for us to be able to add that. I think when you look at down the road, when we look at our business plan, we're comfortable with what spectrum holdings we have now to be able to support the business plan. But like always, you're always wanting to make sure from a customer experience and what you're driving in wireless, that you have to right spectrum. So we're going to be always looking to make sure if we can add to that, that makes -- that would make sense to us.

Phillip Huang
Barclays Bank PLC, Research Division

Got it. And last one from me. Operating tax losses and also synergies on the SG&A side. Any comments you guys can make on that side?

Vito Culmone
Former Executive VP & CFO

Phil, it's Vito here. In regarding to the tax losses, there are several hundred million of dollars of tax losses carried forward, and obviously we expect to avail ourselves with those losses as the mobile platform enters profitability in the years to come. In regards to the synergies, we do is think there's opportunities there across many platforms -- revenue, capital and operating, you heard us reference that in the script part of the call here this morning. In regards to the operating G&A side of things, consistent with the commentary you heard this morning, we'll just play it real nice and slow here, and let WIND obviously do what it's doing really well in the marketplace and in the back office. And as we move post close, we'll look at those opportunities as they come up.

Bradley S. Shaw
CEO & Non-Independent Director

I just want to comment -- the tax losses, Phil, just as a background. We're not in sort of a transaction. We're not ascribing any specific value to those tax losses, so we're not looking at accelerating those tax losses and being to use those within our existing businesses. So when you're looking at precedent, multiples and things, I think that's important to understand.

Operator

The next question comes from Jeff Fan with Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

I think what's unique about Shaw getting into wireless is you guys have a very significant WiFi footprint in Western Canada. So I want to just hear you guys maybe talk about how you think you guys can differentiate that service relative to, I guess, the wireless incumbents, players out there that obviously don't have WiFi, and whether this -- the fact that you have WiFi accelerates the timing that you get to the point where a customer really see that differentiation. And then on the second question is really just, how do you guys -- because on the West you have the cable business and obviously you have the brand, but in Ontario, there's no cable business. Just wondering, how you guys think about competing in those 2 different footprints, whether there's a different tactic that we should expect to see in the marketplace?

Jay Mehr
President

Jeff, it's Jay. I'll take the first one and then maybe, Alek, if you could take the second piece. As you think about Alberta and British Columbia, we're really excited about our network of network strategies. And it's fundamentally a fiber network with the appropriate electronics at the end of that network in order to enable customers in the richest way possible. So it's a fiber network that may be connected to coax to connect to a modem in your home, maybe connect the fiber to the premise, maybe connect to a WiFi access point, it may connect to a 3G LTE wireless network. And it really brings together all of the attributes of all of those networks in order to serve the customer. So absolutely anchored with our differentiated broadband experience in the home, DOCSIS 3.1 super high-speed Internet, the X1 platform, and when it's possible, inside and outside of the home, on TVs and devices. And in 75,000 access points, which are incredibly efficient in giving you a rich, multi-hundred-gig data plans per month to be able to enjoy your service, augmented then by ubiquitous wireless coverage in 3G and LTE. So I think it's a really unique package that we can bring to market as a differentiated experience. And I'll let Alek talk about Ontario.

Alek Krstajic

Thanks, Jay. Look, I'll just add one other thing on the WiFi, that WIND mobile chose Nokia as its sole source vendor to not only swap out all of the Alcatel-Lucent equipment, but rollout LTE is the new LTE gear that's coming from Nokia has a seamless interphase between our mobile network and Shaw's WiFi network. Nokia is the world's leader in this area, and ultimately, what it means is the customer can drive up -- drive from work to their home, roam onto their WiFi network and continue to call with a seamless handoff. So we're very, very excited about how the investment in the WIND mobile network is going to dovetail very, very nicely with investments that have been made in Shaw WiFi network. Jeff, as it relates to your question on Ontario versus out West. I mean clearly, out West, Shaw now has the opportunity to offer a quad play and to do full bundling with wireless. In the East, I think there's still a lot of synergies. I think there's a number of things that we can sell in terms of Shaw products to our stores. There's going to be, I think, a lot of things evolving over the course of the next year, and so we still believe there's a ton of synergies from distribution to other service offerings that we can do in Ontario.

Operator

The next question is from Vince Valentini with TD Securities.

Vince Valentini
TD Securities Equity Research

So keying on the ARPU there of $35.81, the incumbents I think in -- across those 3 provinces will be sort of $65 to $67 on average for their ARPU. Can you give us any thoughts as to how you see your ARPU evolving over time? Do you think you can take a lot of share keeping ARPU closer to these levels? Or would you hope to enhance profitability, closing that significant gap over time once you network is up to proper quality?

Glen Campbell
Chief Commercial Officer

Vince, it's Glen. Thanks for the question. So there's clearly a significant gap between our ARPU and the incumbents. To your point, we see a big opportunity to narrow that gap over time. What drives that reduction in the gap will be upgrade of our network to LTE. So it's pretty straightforward. And you stand back and think about the wireless business in the long term, there's a lot of operating leverage from that expansion in ARPU continuing non-disruptive competition and subscriber acquisition, and then a reduction in the churn rate as again the network quality gap reduces. And keep in mind, we're already starting from a point where with less than 1 million customers, we're EBITDA positive, so it creates a really nice runway for the future.

Operator

The next question is from Drew McReynolds for RBC.

Drew McReynolds
RBC Capital Markets, LLC, Research Division

A couple of questions from me. First, just can you talk a little bit about how you looked at valuation for WIND, just what kind of a process you went through? Also just for clarification, is there an opportunity here for a potential competing bid for WIND? And lastly, is there anything you can say just with respect to your free cash flow objectives for WIND going forward?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Sure, Drew. It's Trevor, maybe I'll start on the first 2 and then get Vito to talk about the free cash flow impact. So on valuation, we obviously, through the diligence process, we got really comfortable with the existing operating business and the 940,000 subscribers and the revenue projections and EBITDA. We also went back to just fundamental asset value. So if we apply a, we think, a somewhat conservative multiple of 8x for the business, the operating business, it works out to about $1.06 per megahertz per POP. So compared that to other spectrum transactions. We looked at it from spectrum auctions. We spent a $1 per megahertz per POP in 2008. Recent transactions, even with WIND on the sale to MTS. We looked at the Rogers-Mobilicity of $2.35 roughly per megahertz per POP. So we think that, fundamentally, we got really nice asset here with spectrum, and then with an operating business with tremendous operating leverage going forward, like Glen said. So we feel pretty comfortable with the valuation that we were able to agree to with WIND shareholders. And in terms of competing bids, listen, we've got -- we're going through a plan of arrangement structure. We've got all shareholders signed up to the transaction, so we feel pretty comfortable from that perspective.

Vito Culmone
Former Executive VP & CFO

I mean, given the high-growth trajectory of WIND, we expect of course the transaction to provide compelling value creation for our shareholders over the long term. As the business continues to grow, we expect to generate enhanced margins as the business continues to gain scale. At this time, we're not prepared to obviously provide financial guidance on WIND; however, as I said, we expect the [indiscernible] to continue and internal improvements are made to its 3G -- as incremental improvements are made both to its 3G network and of course, the transition to an LTE network by 2017. In regards to your free cash flow commentary, I mean, we clearly do expect that WIND will be FCF positive after it upgrades to an LTE network in 2017. And over the next couple of years, particularly in regards to the capital expenditure regarded -- estimated to be about $250 million, we expect WIND in itself to be free cash flow negative until the LTE network expansion is completed.

Drew McReynolds

RBC Capital Markets, LLC, Research Division

Okay, Vito. If I can squeeze 2 quick ones in. Can you just remind us, in Western Canada, what Shaw's retail points of presence is? And does this wireless transaction change any strategic priorities with respect to looking at the data-hosting market and of course the ViaWest asset?

Jay Mehr
President

Can I talk about retail?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes.

Jay Mehr
President

Great. I'll start on retail and will let Trevor go on data hosting. We have the -- we have a retail presence in Western Canada that is very complementary to WIND's retail presence. We don't have a large number of stores. We have about 50 locations and the majority of them are flagship customer experience locations. So it's being promoted in a hub-and-spoke kind of way. We actually think the combination fits like a glove and gives us lots of opportunity in the retail space.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Well, on -- Drew, I mean, the date center side, I mean obviously, our ViaWest coloc. We just completed an acquisition recently out of Pennsylvania being -- you, I know you were down in Denver recently for the investor meetings there, still continue to support the business. They financed it mainly with their own -- the balance sheet at the ViaWest subsidiary. And also, they continue to invest capital in sort of greenfield builds, on average, a couple of years that they've been building. So we continue to see further investments in the data center business, to simulate the growth there.

Operator

The next question comes from Tim Casey with BMO.

Tim Casey
BMO Capital Markets Equity Research

Could you talk a little bit about -- you've identified it's an enterprise value of $1.6 billion from the transaction. Can you give us a little more clarity on what the mix of debt you're assuming and cash that's being paid to WIND's shareholders is? And two, can talk a little bit about the financing plans you have in place? And specifically, any asset sales you may be contemplating, or your feelings with respect to potential issuing equity?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

I'll handle the first one and then Vito on the financing. So Tim, just -- the total enterprise value is about $1.6 billion, and it included the equity and debt and nets off the cash. So it's somewhat of a net debt figure that goes in there as of September 30. So we've got 100% sort of debts finance -- or cash financed that consideration of the debt and net equity for WIND. So I'm not sure it's that relevant, frankly, above the mix of consideration between the split between equity value and debt at WIND. But the total enterprise value is the way that we looked at the transaction, which is about $1.6 billion.

Vito Culmone
Former Executive VP & CFO

Thanks, Trevor. And Tim, in regards to financing, I mean, we've obviously arranged for a fully committed bridge for up to 100% of the purchase price, so we're all set there. We are committed to financing the plan. That maintains our investment-grade rating. We've had several discussions with the rating agencies, thus far, and I think those are being constructive and positive, and I obviously expect the rating agencies to issue a report this morning. As we move forward, we'll optimize the significant flexibility available to us. In regards to assets, we have a rich portfolio of assets, including real estate assets and whatnot that we'll look at through the process here. We're obviously in no rush here. We've got several months pre-close -- or several weeks pre-close. We feel really good about our options. And it'll be -- and we'll give more clarity to the financing plan as we get little closer to the close period.

Tim Casey
BMO Capital Markets Equity Research

Okay. And how are you approaching potential equity?

Vito Culmone
Former Executive VP & CFO

I think equity is in the mix. We don't like diluting, obviously, and we'll balance equity against our leverage. If you even -- just from a pro forma perspective, if you assume a 100% debt on this transaction, it still keeps us below 3 on the net debt to EBITDA. And when you look at that across our peer group, we think that's a very manageable situation. A lot of considerations at play there when you're thinking about optimization of capital structure, so for the point being, we'll just maintain our flexibility and take it from there.

Tim Casey
BMO Capital Markets Equity Research

And just as a follow-up, Vito, can you talk a little bit more about the cash that you expect to have to outlay to reach free cash flow positive? What is the cash burn rate, perhaps on a quarterly basis, of WIND now? And that $250 million, is that all that you expect to have to spend? Or is there more on top of that before we start thinking about potential spectrum acquisitions?

Vito Culmone
Former Executive VP & CFO

Yes. Maybe I'll start and, Trevor, you can round it out if you've got any additional information to add. We really do believe the $250 million takes us to free cash flow positive over the next few years. When you look at the business today, it's in a real good steady state. In addition of $250 million, of course there's other additional capital inherent in the business from a maintenance perspective. But from an incremental perspective, we really do believe the $250 million through the next 2 calendar years, 2016/2017, is what's required to get us into a free cash flow positive positon. And the end of that point or during that point, obviously we'll consider other strategic investments as they come up. But the focus and the business plan and the valuation is predicated primarily on that $250 million, and it gives us a real solid foundation to move forward.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. And Tim, just through diligence through the -- the quarterly cash burn rate was -- it was pretty small, actually. You can see, like Glen said and Alek talked about, I mean, 6 of the last 7 quarters it's been EBITDA positive. And with a nice ramp going forward. So when we looked at it, absent the LTE upgrade, which we fully support 100% obviously, the funding requirements for the existing business was not that significant, it was sort of breaking even.

Operator

The next question is from Aravinda Galappatthige of Canaccord Capital.

Aravinda Suranimala Galappatthige

Canaccord Genuity Limited, Research Division

Think about the history of WIND, obviously WIND has had operate within some of its financial limitations. But obviously, going forward, there's more resources available. I wanted to ask, how aggressive would you be going forward in areas like device subsidies, marketing and promotions and investments in customer service, et cetera? And would you be willing to sort of maybe take the EBITDA down in the near term to sort of drive a bigger benefit down the road? And then 2 quick smaller questions, are you able to disclose what CapEx and churn was for WIND in 2015?

Bradley S. Shaw
CEO & Non-Independent Director

I'll maybe start, and maybe Alek can add something there. I think we're very pleased with how WIND's operating right now. And they're -- we're gaining the right amount of market share, and they've been able to, I think, do an excellent job as we've looked at the business very closely, and we don't expect that to change. And we do expect whatever you can say to be rational competition, we do expect that. But we really expect that the products and services, over time, to differentiate that in the network.

Alek Krstajic

Alek here, I'll just add. I mean, look we've -- we've seen some very steady growth from the numbers at WIND over the last couple of years, and that's been despite some challenges on the network and some uncertainty prior to this last syndicate taking over the asset. And despite all of that, I think the growth has been great. So I think when you look at one of the other questions that Vince Valentini asked about the current ARPU of about $35 and the incumbent ARPU of $65, I think there's a lot of headroom between where we are today and where the incumbents are. And that headroom gives me the confidence that we can still grow the ARPU tremendously and continue to grow the subscriber base. I don't think we need to do anything aggressive when it comes to hardware subsidies, beyond what we're already doing. I think the TAB [ph] program that we've got, we've been tweaking it. I think Glen and his team have done a great job of really thinking through what the levers are and having a real cause-and-effect on how to drive sales when we want to drive them. So I think we're in a very, very good spot, as Brad said, to continue the momentum that we've got. I think the fact that Shaw now owns WIND just gives us a real confidence that we have a shareholder that is patient, strategic and long-run focused. So I think that you're going see us do a number of things that are all aimed at creating long-term probability and shareholder value.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Aravinda, just on CapEx, we'll obviously disclosing more of about the business and just looking at our disclosure policy generally about wireless post close. But for CapEx, for '15, for the year, through the diligence of the company, it's south of $100 million.

Aravinda Suranimala Galappatthige
Canaccord Genuity Limited, Research Division

Okay, great. And just a quick additional question on dividend policy. Any comment around -- I mean, you've been growing your dividend 7%, any thoughts around dividend policy that you can share going forward?

Vito Culmone
Former Executive VP & CFO

I mean obviously, you heard us confirm that we're committed to maintaining our dividend at levels during investment phase. As we've already mentioned, achieving WIND's full growth potential will require us to invest in our wireless network over the next couple of years. Ultimately, dividend and dividend policy is subject to the discretion of the board. And the management's recommendations to the board reflects various inputs, one of which is our projected consolidated EBITDA, CapEx and free cash flow, which has obviously been a subject of discussion here this morning. So in our view, we'll balance the need to invest to future growth with our free cash flow profile, and we'll consider appropriative measures to increase our dividend as we make -- as we move forward.

Operator

The next question is from Greg MacDonald with Macquarie.

Gregory William MacDonald
Macquarie Research

Listen, congratulations on the deal. A couple of questions I'll have. First, let me start off with the synergies. Vito, I'm curious as to why you're not commenting on at least some ranges. There has to be some OpEx synergies here that would be kind of new opportunities. And I guess, on the CapEx, Brad made mention of potential wireless infrastructure synergies. I think we can all kind of see what those are. I'm curious, is the $250 million in CapEx over the next 2 years net of any synergies that you'd have by integrating with the Shaw Network? Or are there extra synergies on top of that? And then I have a strategy question after.

Vito Culmone
Former Executive VP & CFO

Maybe I'll start off and Jay and the team can chime in here. I mean, in regards to the synergies, frankly, we believe probably more significant synergies around the revenue side when we think about ARPU improvement add-ons, the retention programs and the like. The -- I think it would be somewhat really ignorant of us at this point to speak about operational synergies without having the input of the WIND team in that discussion. So we're going to just, as I said earlier, talk to that as we move forward. That's really not what this is about, quite frankly, and we'll continue to invest in the business as we think necessary. In regards to the capital, the capital, the $250 million is WIND's capital plan for the LTE network expansion. So as we move forward and talk about synergies, that those are not net of any synergies. We'll take synergies on top of that as we move forward and think about that in the context of SCI's consolidated capital plan.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. And Greg, maybe I'll just add. It's Trevor, before Jay on the CapEx. Through diligence, I mean, one of the things that we really liked about WIND was just their approach to how they are running the business and their focus on profitability. So we were very impressed with the management team and how they were running the business and ramping up the business to take advantage of that operating leverage that Glen mentioned. So they're a pretty lean company already in terms of their approach to things. So clearly, there are some synergies. But that's not the story here, I think, like Vito said, it's more about what can the 2 companies do together and accelerate the growth profile of the 2 companies.

Gregory William MacDonald
Macquarie Research

Right. I got it. So too early to tell is essentially the message, but WIND is a leanly run company?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes.

Gregory William MacDonald
Macquarie Research

Okay. On the strategic side, there's been made mention of kind of why now and it would've been cheaper to try and execute earlier. I guess, one of the things that I would mention or note that's changed in the last year is the company's focus on business services, particularly SME, and the evolution of that SME product. It's pretty obvious that adding wireless would be a big benefit to that. I guess, the one question

I do have is have you spoken to business customers? Did you have insight on business customers as to how confident they would be with the WIND network? I know there's a 4G upgrade coming, that's would be material to the issue. But I'm more curious as to -- and I think the market will be as to the post-2016 or '17 CapEx profile. Is the company planning to expand the footprint of the network in the Ontario and Western markets? Is that part of the longer-term consideration?

Jay Mehr
President

Greg, this is Jay. There was a lot there, so let me sort of unbundle it into...

Gregory William MacDonald
Macquarie Research

Focus on that last point, the expansion.

Jay Mehr
President

All right. I will. But just because you asked it, I'm going to focus on first one just really quickly, which is if you do the actual math, I don't know that you can get there less expensive any other way. Had we entered the market in 2011 under the rules that existed in the place, under the spectrum that was available, with what it would've cost us to construct, with what the roaming regime looked like without ability to access power, there's no way that math gets you to today, better than today. And if you try and put together other spectrums and construct a new network over a number of years from scratch, you're going to be way north of our numbers. So just sharing our thoughts there. That said, on the SME side, we see tremendous opportunity. Probably more post-LTE upgrade, as you suggest, than pre-LTE upgrade. Although we think really unique combinations with the smart WiFi product that you've seen and even the 3G network to fill in on a ubiquitous nature. We hear about it in every customer conversation about folks wanting to talk to Shaw about their wireless needs. And certainly, our response to even personally in the hundreds of e-mails we've got from the last 24 hours, lots of businesses in Calgary interested in switching to our wireless products as quickly as possible. So I think we're targeted again at that 10 to 100 employee focus in our SME market, and we think wireless would be great for that.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And maybe I'll just add one thing, Greg, on the expansion of the network. I mean clearly, WIND has a deep spectrum position across a lot of our operating areas and they may not have operations right now, we're working closely with the WIND management team to see where the return on that capital makes sense. Should we be looking at interior B.C. or Vancouver Island and things like that, in terms of extending that WIND footprint to our line up with some of our consumer footprint in Western Canada.

Gregory William MacDonald
Macquarie Research

So I guess as a rule of thumb, should we think typical capital intensity ratios for this asset going forward? Or should we be thinking slightly higher than typical? Typical being something in the 15%, 16% range?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

We were looking at typical, Greg.

Operator

The next question is from Maher Yaghi with Desjardins.

Maher Yaghi
Desjardins Securities Inc., Research Division

I'll add my voice to Greg's voice, it's never too late to do the right thing. In terms of...

Bradley S. Shaw
CEO & Non-Independent Director

So okay, really good [ph].

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay. So I'm just -- when we look at this potential high-grading the ARPU to what we're seeing with, let's say, if we take Vidéotron as an example and their strategy to increase ARPU at their customer base, and which is something that they have shown that it can be done. They built up quite a sizable network in Québec. And when you look at the coverage area that WIND has, definitely there's a gap between where WIND is currently covering with their spectrum versus what Quebecor has decided to do in Québec. So again, I'm just trying to figure out, how can you migrate customers up the value chain longer term to make this investment as profitable as you can without building and beefing up your network to be as -- covering similar areas that your -- with your competition? Because at the end of the day, your customer is on your partners' network, the current regulation can still allow for drop calls, et cetera.

Bradley S. Shaw
CEO & Non-Independent Director

True. Maybe I'll ask Alek, do you want to start and then maybe Glen can take part of it? Did we lose Alek?

Alek Krstajic

Oh, sorry, guys. I'm here, I was just on mute there. I apologize. I'm new to this whole conference call thing. Look, the long-term sort of strategy with WIND mobile and our network is really one of continuing to aim at the right customer base and making sure that the value proposition is always one that is competitive. And so it's not about being everything to everybody. And so when we look at our network, we're actually very, very excited about where the network is going. The 50 megahertz of spectrum that we now have is really put us in a position to be able to roll out an LTE network that's going to have 30 megahertz of unused spectrum. So when that network turns on, I think we're going to have something that customers really, really are saying is a great value proposition at the prices that we're selling it at. I think when you look at the other spectrum, it's going to be made available like 600 and supplementing the spectrum that we already have, that low-band spectrum is actually going to give us a propagation. For in-building coverage, it's I think going to be superb. So not sure if that covers every part of that question, but we're very bullish on where this is going.

Maher Yaghi
Desjardins Securities Inc., Research Division

I guess, I -- yes. Sorry, Vito.

Glen Campbell
Chief Commercial Officer

It's Glen. So I just wanted to add to what Alek is saying. I mean, when you look at what Vidéotron has managed to achieve in Québec, they've done it in a market that had much lower ARPU to begin with, so this is something to take into account when you look at where we are today. Secondly, when you look at the regulatory environment that they built out in, they were not able to count on affordable out-of-footprint roaming. We've already got cost. We've already got a regime now that calls for cost base roaming rights. So the result of that is we can focus our network investment where our customers are in urban areas. So now that significantly improves the economics and makes it a lot easier to deliver the kind of network upgrades that we're talking about.

Maher Yaghi
Desjardins Securities Inc., Research Division

Okay, that's fair. And in terms of the branding, I recognize that probably in Ontario you don't want to mess too much with how it's positioned right now. But when you look at Western Canada and the potential for bundling products like your competitor is doing, are you looking to rebrand the product, put a Shaw sticker on it, change the way it's sold in the marketplace to be somewhat -- more aggressive in order for you to keep and gain customers? Maybe just talk a little bit about differentiation on how you're positioning and maybe the point-of-sale disadvantage that you have in Western Canada versus your competitor who -- competitors who have a lot more distribution network there.

Bradley S. Shaw
CEO & Non-Independent Director

Maher, this is Brad. I'll start. And we -- I don't think we've really landed on the decision of where once we build the LTE network and the WIND brand and where we land with that, but we'll be doing that work over the next 6 to 12 months, and determining how we come to market, how we price the product and where we need to come in. I think points of presence are important. I think we get 300 points of presence, which is pretty exciting for us. I think when you look at the Shaw brand and the media assets and everything we bring, we really can take this to a whole different level from awareness point of view. And so, it becomes a little different for WIND, I think. Other than that points of presence, it's just awareness we bring. And even in the Ontario market, I think it's going to be much different. I think we really enjoy with how WIND is being operated now. We like how they're managing into the market and how they're growing. And we're comfortable with the continued pace. And as we bring in the LTE, we'll see where, as Alek said, where pricing is and where the value equation is and the opportunity for us.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

And maybe I'll just add, through our diligence, we spent a lot of time on the distribution points of presence. I think maybe on paper, it looks like not as many points of distribution as some of the other wireless providers in Canada. But I think when you look at product offerings and there's maybe not as much differentiation between some of those other providers where retail presence is obviously a big part of that. When you -- we've got a true value differentiator equation, we think the number of the points of presence that WIND actually has is really hitting the mark, frankly.

Operator

The next question is from Rob Goff with Euro Pacific.

Robert Goff
Echelon Wealth Partners Inc., Research Division

Congratulations on the deal. I would have 3 questions, if I might. Could you give us any additional perspectives in terms of the bank financing terms that WIND recently negotiated? Could you also talk to the potential or what needs to be accomplished in terms of integrating the billing platforms of the 2 entities, recognizing it's early days?

Bradley S. Shaw
CEO & Non-Independent Director

So maybe I'll just start on the bank financing and then ask Alek to talk about -- or Glen to talk about that. Listen, we're assuming that the existing bank deal, we think it's a good deal, but don't necessarily mean to keep it in place. But I've -- as far as specific terms, we don't know if we need to disclose that, frankly. But Vito, I don't know if you want to say anything about...

Vito Culmone
Former Executive VP & CFO

No. I mean, I think you saw the press release from WIND a few days ago, those are -- they've moved from obviously high yield to something much more attractive in the marketplace. And I think the big point there for me, quite frankly, is the great testament to the growth prospects and the health of the business going forward. And as Trevor said, we'll obviously, post close, evaluate what's the right thing to do from a consolidated business. But it's a wonderful asset, effectively, to have in the full from that perspective.

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

I think you're correct in -- I'd say, I think you're correct in saying that it's a little early to fully scope integrated it, although we will say this, that we have moved and are moving to our next-generation billing system on the Shaw platform. When that billing system was initially scoped and built, it was initially scoped and built with the wireless build in mind, and so we have tremendous flexibility in terms of integrated billing going forward. That being said, lots of work to be done and you can imagine time frames involved.

Operator

There is time for one last question. Next question is from Robert Peters from Crédit Suisse.

Robert Peters
Crédit Suisse AG, Research Division

Congratulations on the deal. Just when we think about WIND's handset offering, I mean, I think there's kind of one thing that people have been looking for in terms of -- we've seen it in Québec when Vidéotron got the iPhone. I'm just wondering if you guys have had any discussions to that extent. And when we -- if we could kind of think about something like that happening?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Alek, maybe I can ask you to comment on the handset lineup.

Alek Krstajic

Sure. Thanks, Trevor. I mean, look guys, there's no question that when you add the iPhone, you get a whole bunch of new customers who find your offering attractive. I think without the iPhone, we have a very, very solid lineup as evidenced by the growth that we've been able to generate. That having been said, we have somewhere slightly in excess of 50,000 users that are actually using iPhone. So what we're seeing is people buying iPhones and saying, the iPhone is great with unlimited data, and so they see the value proposition is good. So we've got a lot of customers that are -- we refer to as SIM-only customers, they bring their own handsets. We have, in the last 6 months, had a program where we've been selling, in some cases, new old stock and factory-refurbished iPhones. We've started some conversations with Apple. I think Apple looked at WIND, quite frankly, the way a lot of people did a year ago. And that is a little bit of a question mark. Where is WIND going to end up? What's the status of its network? And what's the network plan? I think the fact -- and building on what Vito said, I mean, look, Shaw buying WIND is a huge event. I think the endorsement prior to that was the fact that 3 Canadian Schedule A banks decided to step up and endorse WIND by lending us money. The Canadian Schedule A banks lends only to solid credit. So I think Apple will be looking at us and saying, we've got Shaw backing, we have a path to LTE with an incredible network partner like Nokia. And probably around the time we launch LTE, we'll be launching the iPhone with Apple, is my hope and expectation.

Robert Peters
Crédit Suisse AG, Research Division

Got you. And if I could just squeeze one last one in. Just a clarification, when speaking on the CapEx and talking about a typical ratio of 15% to 16%, I assume that excludes the $250 million for the LTE expansion?

Trevor English
Executive VP and Chief Financial & Corporate Development Officer

Yes. That's correct, Rob.

Operator

This concludes the time allocated for questions and for today's conference call.

Bradley S. Shaw
CEO & Non-Independent Director

Thank you, operator. And thanks to everyone for joining us today. And we're very excited about the future at Shaw. So enjoy your weekend and Merry Christmas to everybody.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

Bradley S. Shaw
CEO & Non-Independent Director
Thank you. Thanks, Alek.

This is Exhibit 10 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Acquisition of WIND

Investor Conference Call

December 17, 2015

6am Mountain Time / 8pm Eastern Time

Canada/U.S. Toll Free Dial-In: 1-800-319-4610

Shaw) WIND

Forward Looking Information Disclaimer

Statements in this presentation relating to the acquisition of WIND; the related financing; Shaw's credit ratings; Shaw's dividend rate; operational, growth and capital spend plans and expected business and financial results for Shaw and WIND; customer retention; and plans for enhanced service offerings to customers constitute "forward-looking statements" within the meaning of applicable securities laws. These statements are based on assumptions made by Shaw that it believes are appropriate in the circumstances, including without limit, that: regulatory and court approvals will be received and the other conditions to closing of the transaction will be satisfied; financial markets will be receptive to Shaw's future financing on acceptable terms; expected business and financial results for Shaw and WIND will be realized; the pricing environment for WIND is stable relative to current rates; there is no significant market disruption or other significant changes in economic conditions, competition or regulation; the upgrade to 4G LTE and, other plans for growth, enhancing service offerings and the converged network solution can be executed in a timely and cost effective manner to yield the results expected for Shaw and WIND; and WIND will provide expected benefits to Shaw and for the service offerings to its customers. There is the risk that one or more of these assumptions will not prove to be accurate and this may affect closing of the transaction and/or the business, operational and financial expectations for Shaw. Undue reliance should not be placed on any forward-looking statement. Except as required by law, Shaw disclaims any obligation to update any forward-looking statement.

Today's Participants

Shaw)

Brad Shaw
Chief Executive Officer

Jay Mehr
Executive Vice President & Chief Operating Officer

Vito Culmone
Executive Vice President & Chief Financial Officer

Trevor English
Senior Vice President, Corporate Development & Business Planning

WIND

Alek Krstajic
Chief Executive Officer

Shaw & WIND: Power of the Combined Platform

- Shaw's acquisition of WIND represents a transformative transaction that enhances Shaw's position as the network of choice for our customers now and in the future

Wired Home Connectivity	WiFi Mobile Connectivity	Wireless Connectivity
Fibre Network	WiFi Network	Wireless Network

Converged Network Will Allow Us to Deliver an Exceptional Customer Experience

WIND: High Growth Potential Based on Proven Results

- WIND has emerged as Canada's 4th largest wireless provider and is well positioned for future growth

Significantly Accelerates and De-Risks Shaw's Entrance into Wireless

Strong and Growing Financial Profile with Expected 2015 Revenue of $485 million and EBITDA of $65 million

Provides Immediate Scale with ~940K Customers and +300 Points Of Distribution

WIND

Proven Management Team with Significant Experience in Wireless

50 MHz of Spectrum Holdings across Key Operating Footprint

Wireless Network with Immediate Path to LTE that Complements Shaw's Existing WiFi and Wireline Network

Shaw)

Taking a Disciplined Approach to Wireless Entry

- Shaw has taken a disciplined approach with respect to our mobile strategy, and believe that the timing is right to enter the wireless market

2008

- In 2008, Shaw participated in the AWS-1 spectrum auction and commenced an initial build-out of wireless infrastructure in 2010
- We subsequently conducted a strategic review in 2011 and determined that the total potential build (Alberta and BC only) and operating losses to break-even could exceed $2 billion – accordingly, Shaw decided not to proceed with a greenfield wireless build-out at that time
- Pursuing a greenfield wireless build-out in 2008 would have likely resulted in significant build and operating losses and would not have created long-term value for Shaw's shareholders

2011 – 2015

- In 2011, Shaw unveiled that it would pursue the launch of a WiFi network that would provide free mobile connectivity to Shaw's wireline customers
- Since its formal launch in 2012, Shaw Go WiFi has grown to a network of over 75K hotspots and +2 million registered devices

Right Time to Enter WiFi

- Identified opportunity to deliver significant value-add to consumers via a WiFi-based mobile offering at much lower cost than proposed wireless build-out
  - WiFi provided a differentiated service that would position Shaw well for future growth

- Shaw's acquisition of WIND represents an evolutionary step in our mobile strategy which will allow us to meet customers' demands for ubiquitous connectivity
- Evolving consumer demands for ubiquitous connectivity yields importance of 'mobile-first' offering

Right Time to Enter Wireless

- WIND has emerged as Canada's 4th largest wireless provider and is well positioned as a high growth wireless business with spectrum depth to transition to 4G LTE
- Greater regulatory certainty (roaming rates, tower sharing, etc.)
- Favorable industry structure

Shaw)

WIND: Complementing the Shaw Go WiFi Offering

- WIND provides a mobile platform that will complement Shaw Go WiFi's success

	Shaw Go WiFi	WIND
Build Long-Term Shareholder Value by Maximizing Returns on Capital Deployed	✓ • Achieved extensive coverage of Shaw's major wireline markets with minimal capital spend (~$135 million life-to-date) • No spectrum license acquisition costs	✓ • Acquisition of operating business, wireless network and spectrum portfolio significantly de-risks entry into wireless • Nokia network agreement for future LTE upgrade in place • WiFi and wireless capex/network efficiencies • Supportive regulatory regime
Use Mobile to Deliver Maximum Value Add to Our Customers	✓ • Canada's largest WiFi network with nearly 75K access points and +2 million registered devices • Increases value proposition of broadband and improves retention (~25% lower churn)	✓ • Canada's largest non-incumbent wireless carrier • Completes Shaw product portfolio and enables us to deliver ubiquitous connectivity for our customers
Well Positioned for Future Growth	✓ • On track to achieve continued coverage growth, with ~90 municipal deals signed (4 million population potential) • Significant innovation potential (Hotspot 2.0) and faster speeds (current speed of up to 30 Mbps)	✓ • High growth trajectory supported by proven business plan • Well defined path to achieving increased coverage and upgrade of network to LTE by 2017

Shaw

Acquisition of Wireless will Allow Shaw to Provide the Ubiquitous Connectivity Demanded by Our Customers

Shaw)

Business Infrastructure Services

- Providing North American enterprise colocation, cloud and managed services through ViaWest

Media

- One of Canada's largest conventional TV networks
- Leading portfolio of 19 of Canada's most popular specialty properties
- Partner in shomi, an OTT service provider in Canada

Consumer

- Provider of best-in-class residential cable (Internet, WiFi, Video and Phone) and Direct-to-Home services to 3.2 million customers across the country

WIND

Wireless

- One of Canada's leading wireless carriers, providing services to ~940K subscribers in Ontario, British Columbia and Alberta

Business Network Services

- Provides data networking, video, voice & internet services through a national fibre-optic backbone network

Acquisition of WIND Complements the Entire Shaw Platform

Shaw)

Transaction Summary

Highlights	• On December 16, 2015 Shaw entered into an agreement to acquire WIND by plan of arrangement • WIND is Canada's largest non-incumbent wireless services provider, with ~940K subscribers located across Ontario, British Columbia and Alberta • Proven business model with demonstrated financial results and a strong growth profile • Significant spectrum holdings across the country providing broad coverage and capacity to upgrade network to LTE by 2017
Transaction Value	• Enterprise value of C$1.6 billion(1)
Transaction Metrics(2)	• $1.57 / MHz-POP • $1.06 / MHz-POP, net of assumed value of operating business(3)
Closing Conditions	• Competition Bureau, Ministry of Innovation, Science & Economic Development (formerly Industry Canada) approval and Court approval of plan of arrangement
Anticipated Closing	• Third quarter of fiscal 2016(4)
Financing / Other Considerations	• Transaction is 100% financed at announcement with fully committed bridge facility • Shaw is committed to maintaining its investment grade rating • We are also confirming our current dividend(5)

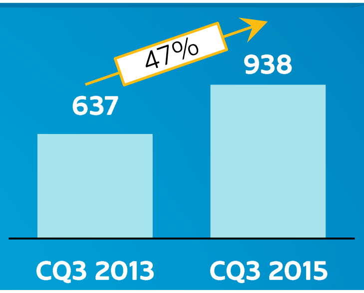
(1) Based on quarterly financial statements as of September 30, 2015.
(2) Multiples not specifically adjusted for value associated with tax pools and excludes any potential synergies.
(3) Net of assumed value of operating business at 8x EBITDA of $65 million and excluding one time-items relating to the transaction.
(4) Shaw Communications has an August 31 year-end.
(5) Any changes in dividend policy are subject to Board approval.

Shaw)

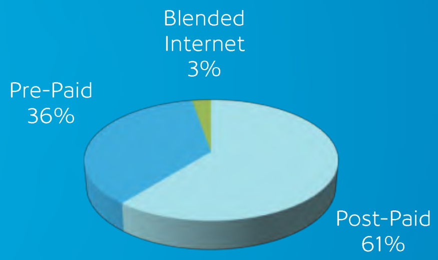
WIND Highlights

- **Strong operating performance and footprint in key Canadian markets**
  - WIND has ~940K subscribers today and over the past two years has captured ~300K net adds
  - Established market position in Ontario, British Columbia and Alberta wireless markets
  - +300 points of retail distribution
- **Existing network and spectrum position supports enhancement of service offering**
  - Strong spectrum portfolio (50 MHz of spectrum in key operating areas) with clear, well-defined plan to achieve roll-out of LTE network by 2017 will meaningfully increase network capacity and quality at an estimated cost of $250 million
- **Demonstrated financial performance with significant growth opportunity**
  - Business expected to generate ~$485 million in revenue and ~$65 million of EBITDA[(1)] in calendar year 2015
  - Strong growth trajectory as WIND continues to benefit from its compelling value proposition in the Canadian wireless market
- **Experienced management team that can execute on the vision**
  - Senior management team with decades of collective wireless experience will remain in place post-acquisition and is aligned to achieve shared goals
  - Led by Alek Krstajic, who has 20+ years of telecom expertise

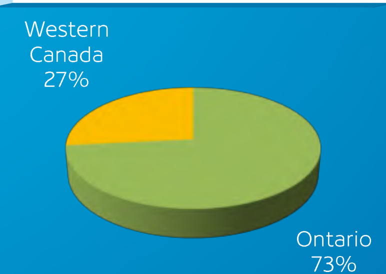
Two-Year Sub Growth *(000)*



Subscribers by Plan Type



Points of Distribution by Geography



(1) Excluding one time-items relating to the transaction.

WIND Management Team

- Shaw is partnering with WIND's senior management team to leverage their expertise and accelerate growth across the business

Alek Krstajic

Chief Executive Officer

- Established leader in Canadian telecommunications, bringing over 20 years of experience
- Prior to joining WIND in 2015, Alek was Founder and CEO at Public Mobile and has served in senior executive roles in some of Canada's largest telecommunications companies

Glen Campbell

Chief Commercial Officer

- Joined WIND from Bank of America Merrill Lynch where he served as Head of Canadian Equity Research and Global Coordinator for Telecom Services Research, in addition to covering Canadian telecom services stocks for almost 20 years
- Familiarity with every aspect of the wireless industry serves to strengthen WIND's position as a leader in the Canadian marketplace

Bruce Kirby

Chief Strategy Officer

- Brings over 15 years of experience in the sector, including time with a large Canadian incumbent telecom provider through to his time with Public Mobile
- Holds a well-rounded understanding of all aspects of the industry adding value on matters of finance, strategy and technology

Brian O'Shaughnessy

EVP, Technology Services

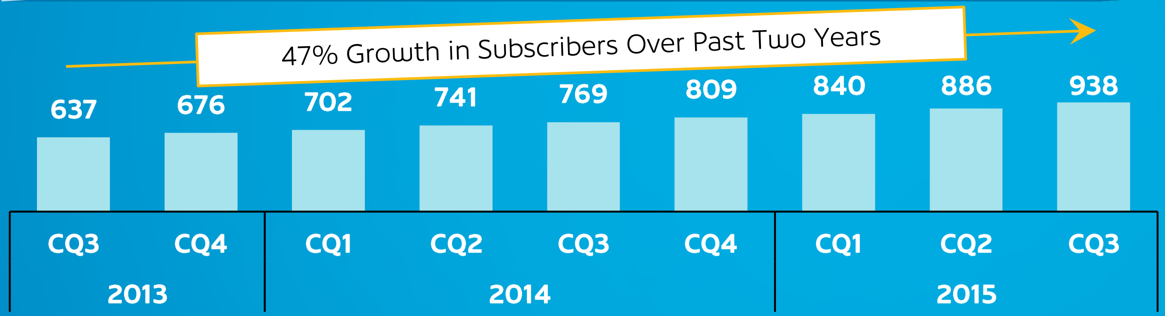
- Previously the CTO of Public Mobile, where Brian established the network organization from scratch and successfully launched its wireless service in 2010
- Also held numerous senior positions with a Canadian incumbent telecom provider, including VP, Wireless Technology Development (providing technology leadership for a business that grew rapidly from 0.8M to 4.5M subscribers) and VP, Video and Access Network Technology Development (driving the development of IPTV, DSL, FTTH and home networking technologies)

Substantial and Growing Subscriber Base

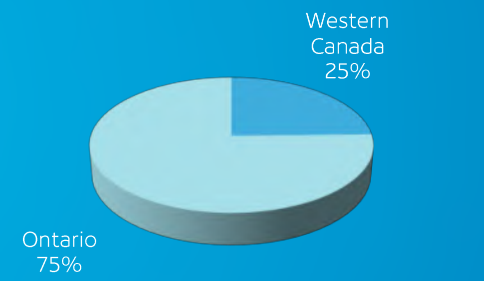
WIND

- WIND has ~940K subscribers today and over the past two years, the Company has captured ~300K net subscriber additions (note: represents subscriber growth of almost 50% over the last two years)
- ~3/4 of WIND's subscribers are located in Ontario, with the balance in British Columbia and Alberta
- +60% of WIND's subscribers are post-paid subscribers
- Strong subscriber additions and ARPU expansion has led to over 80% quarterly revenue growth over the last two years

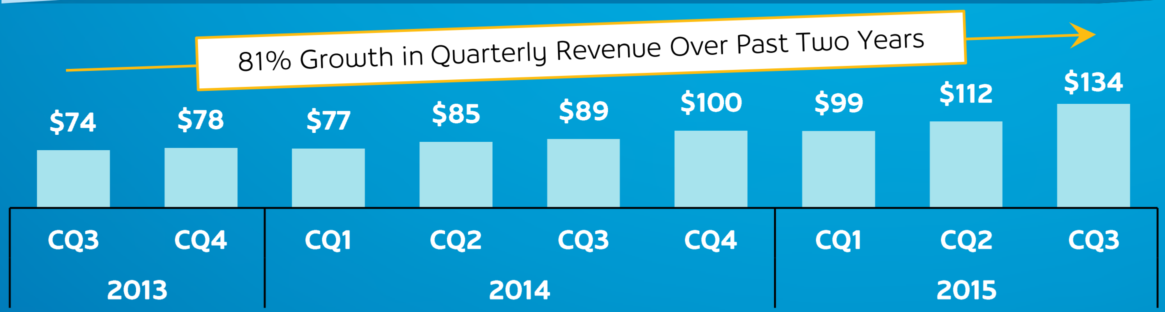
WIND Subscriber Base *(000s)*



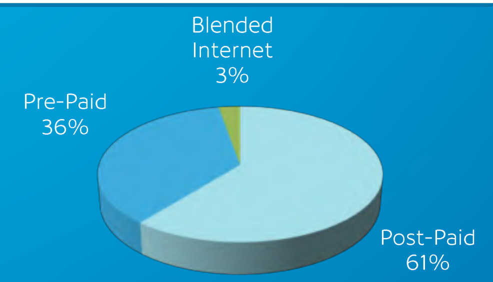
Subscribers by Geography



Quarterly Revenue *(C$ millions)*



Subscribers by Plan Type



Shaw)

Proven Business Model with Significant Growth Opportunity

WIND

Proven Business Model

- Unique customer value proposition that continues to gain traction in the market
- Subscriber base continues to grow rapidly
- Deployed network covering a population of 15 million people in Ontario, Alberta and British Columbia by the end of 2015
- +300 points of retail distribution, including exclusive corporate and dealer locations

Stage is Set for Rapid Growth and Expansion

- Proven business model which will continue to scale
- Spectrum depth adequate to manage transition to 4G LTE
- Substantially de-risked business model, operating in stable market
- Capitalize on the strength of the Shaw brand as well as cross-selling wireless to existing Shaw customers
- Large existing Shaw WiFi and wireline infrastructure

Attractive stage in growth cycle and well positioned for continued growth

Shaw)

WIND Customer Value Proposition

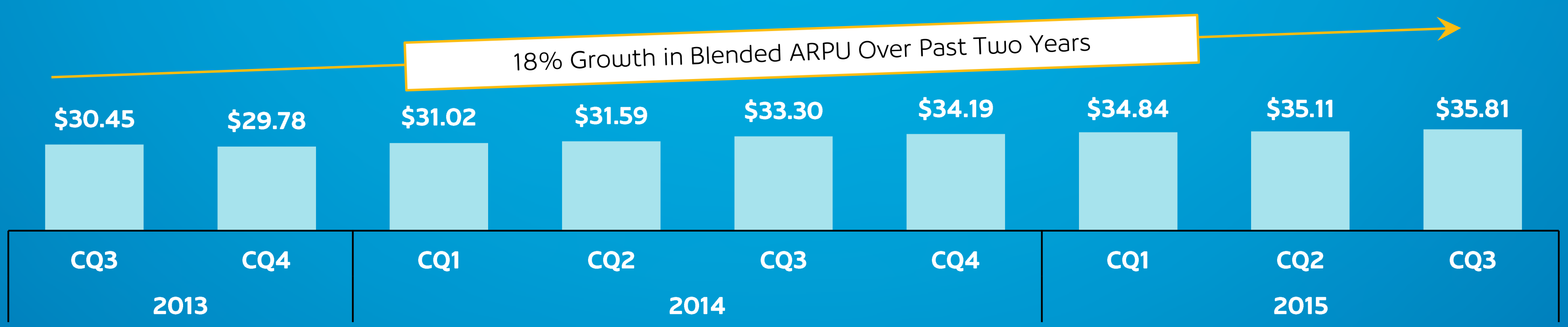
Fairness and Transparency
No hidden fees
No contract

Best Value
Unlimited Plans

Attractive
Low international and roaming rates

- WIND targets the value conscious segment with its easy to understand tariff plan and no-term contracts
- WIND will continue to focus on post-paid subscribers which now account for over 60% of its total subscriber base
- To further differentiate its customer value proposition, WIND continues to:
  - Enhance customer service
  - Improve network quality
  - Broaden handset lineup, including higher-end devices

WIND Blended ARPU[1] *(C$/month)*



[1] Reflects average monthly revenue per user based on service revenues from all post-paid, pre-paid and internet subscribers.

WIND Spectrum Position

Represents areas with current WIND operations

Region	NW Territories	British Columbia	Alberta	S. Ontario	E. Ontario	N. Ontario	N. Quebec	New Brunswick	Nova Scotia	Nfld & Labrador
AWS-3 Spectrum										
MHz Block(s)		30 MHz G,H,I	30 MHz G,H,I	30 MHz G,H,I						
AWS-1 Spectrum										
MHz Block(s)	50 MHz B,C,D,G	10 MHz C	10 MHz C	20 MHz B	10 MHz D	15 MHz C,I	15 MHz G,I	10 MHz C	10 MHz D	20 MHz D,G
MHz[1] Block(s)[1]		10 MHz D	10 MHz D	~2 MHz C/D	10 MHz C	10 MHz D				

WIND's spectrum provides 50 MHz of coverage across its core operating footprint

(1) Reflects spectrum acquired in transactions announced mid-2015.

WIND Network Infrastructure and Upgrade Path

- WIND has a clear plan to upgrade to an LTE network by 2017, a process that is currently underway
- Contract signed with Nokia to complete this upgrade at a total estimated cost of $250 million(1)

	2015 – 2017	2018 – 2020
	3G	**4G / LTE**
Network Capability	**Basic Data Services**  • Previous generation technology • Improving network capacity and functionality	**Advanced Data Services**  • Next generation technology • High network capacity and functionality
Network	• Enhanced 3G network enabled by increased AWS-1 spectrum position and Western Canadian network hardware upgrade • LTE build-out on the AWS-3 spectrum (15+15 MHz)	• Migrate existing subscribers to LTE network to allow for 50 MHz of total AWS spectrum to be dedicated to LTE • Add VoWiFi and VoLTE capabilities

Benefits of Nokia Contract

- **Strategic technology partnership with Nokia**
- **Network hardware upgrade will result in a significant improvement for customers and enable a seamless transition to LTE in 2017**
- **Terms of the contract include 5 year fixed price certainty and additional technical support from Nokia experts**
- **Upgrade to latest network technology provides compatibility and integration opportunities with Shaw's wireline and WiFi platforms**

(1) Includes capex and opex related to the LTE transition over the entire length of the contract.

Synergy Potential of the Combined Platform

- Bringing Shaw's current businesses and WIND together will yield exciting opportunities for growth across the combined platform

Consumer

- ✓ Combination of wireless with our extensive fibre network and Shaw Go WiFi will provide ubiquitous connectivity for our customers
- ✓ Strengthen wireline competitive position with potential for increased customer stickiness and retention
- ✓ Additional connectivity complements TV Everywhere and X1 initiatives

WIND

- ✓ Benefit from Shaw's commitment to customer service and operating excellence
- ✓ Opportunity to offer a differentiated, converged network to current WIND customers located within Shaw's wireline footprint

Business

- ✓ Ability to cross-sell WIND services to Shaw Business customers
- ✓ Complements new suite of managed products, such as SmartVoice and SmartWiFi

Both Shaw's Current Businesses and WIND will Benefit from the Combined Platform

Pro Forma Operational Structure

Shaw

Pro Forma

Consumer
- Residential Cable (Internet, WiFi, Video and Phone)
- Direct-to-Home

Wireless
WIND
- Consumer wireless
- Business wireless

Business Network Services
- Connectivity and Managed Services
- Hospitality
- Tracking
- Broadcast

Business Infrastructure Services
- ViaWest
- Canadian data centre initiatives

Media
- Conventional Network
- 19 Specialty Channels

- **WIND will be managed as a standalone entity by its existing leadership team, but offering will be integrated into Shaw's current platform to offer converged services to all customers in Western Canada**
  - Shared entrepreneurial culture
  - Significant expertise and deep experience in the international and Canadian wireless and telecom industries

Conclusion: Shaw + WIND = Compelling Strategic Rationale

- The acquisition of WIND provides Shaw a unique opportunity to enter the wireless market and deliver a truly differentiated and fully converged offering for our customers

Enhances Shaw Product Offering

Solidifies Shaw's Western Canadian Market Position with Upside Potential in East

Unique Transaction Opportunity

Highly Complementary with Shaw's Existing WiFi and Wireline Network

Experienced Management Team with a Proven Business Model

High Growth Wireless Business

Thank you.
Questions?

Please contact investor.relations@sjrb.ca

This is Exhibit 11 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

S&P Global
Market Intelligence

Rogers Communications Inc. TSX:RCI.B

M&A Call

Monday, March 15, 2021 12:00 PM GMT

Table of Contents

Call Participants

EXECUTIVES

Anthony Staffieri
Chief Financial Officer
Rogers Communications Inc.

Bradley S. Shaw
Executive Chairman & CEO
Shaw Communications Inc.

Joseph M. Natale
President, CEO & Director
Rogers Communications Inc.

Paul Carpino
Vice President of Investor Relations
Rogers Communications Inc.

ANALYSTS

Adam Shine
National Bank Financial, Inc., Research Division

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

Batya Levi
UBS Investment Bank, Research Division

Drew McReynolds
RBC Capital Markets, Research Division

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

Tim Casey
BMO Capital Markets Equity Research

Presentation

Operator

Thank you for standing by. This is the conference operator. Welcome to the Rogers & Shaw Analyst Call. [Operator Instructions].

I would now like to turn the conference over to Paul Carpino, Vice President of Investor Relations with Rogers Communications. Please go ahead.

Paul Carpino
Vice President of Investor Relations

Great. Thanks, Ariel. Good morning, everyone, and thank you for joining us. Today, I'm here with our President and Chief -- President; Joe Natale; our Chief Financial Officer, Tony Staffieri; and Executive Chairman and CEO of Shaw, Brad Shaw.

Today's discussion will include estimates and other forward-looking statements with the meaning of applicable securities laws. These statements speak only as of today's date and are subject to uncertainties and risks that may cause actual results to differ materially from these forward-looking statements.

Accordingly, investors are cautioned to not place undue reliance on these forward-looking statements and to carefully review the disclaimer contained in today's news release regarding forward-looking statements.

The forward-looking statements made during today's call are qualified in their entirety by the information contained in today's news release and in Rogers' and Shaw's other publicly available filings.

With that, let me turn it over to Joe to begin.

Joseph M. Natale
President, CEO & Director

Thanks, Paul, and good morning, everyone. Thank you for joining us. I'm very excited to be here with Brad Shaw, Executive Chair and Chief Executive Officer of Shaw Communications to announce the proposed coming together of Rogers Communications & Shaw Communications. Both companies were founded and built more than a half century ago by 2 of Canada's greatest entrepreneurs, Ted Rogers and JR Shaw. They were both risk takers that shared a relentless pursuit to innovate, grow their companies and connect Canadians. They weren't afraid to take bold steps needed to ultimately transform the way we communicate and the way we connect to our world. Without a question, they were the founding fathers of our industry.

We also shared a deep respect for one another, for each other's families and from what they were each building for Canadians on different sides of the country. Both companies helped usher in the era of video and data services into the living rooms, the small businesses and the boardrooms across the nation. They became integral parts of their communities. They invested billions of dollars to connect Canadian families, help business grow and help industries transform.

Today's announcement builds on that strong legacy of 2 great family-founded Canadian companies and their shared history of service, innovation, customer commitment and community support.

Canada's networks are amongst the very best in the world, a fact that has served us well during the pandemic as Canadians and businesses were able to quickly pivot to an online world. But we didn't get there by accident. We've been pouring billions of dollars into Canada in its innovation and networks for the last many generations. Rogers and Shaw are preparing to make the next-generation of unprecedented levels of investments to provide consumers and businesses more choice in broadband and wireless capabilities to help grow our economy to ensure that all Canadians and all businesses have the essential technology to unlock growth, boost our productivity and set the table for the future and all that it holds for us.

Both Boards and the controlling shareholders of Rogers and Shaw have unanimously and enthusiastically voted in favor of this transaction, where Rogers will acquire all of Shaw's issued and outstanding shares in a transaction valued at approximately $26.2 billion, including acquired debt. Brad Shaw, and another director to be nominated by the Shaw family, will join the Rogers Board when the transaction closes to help us drive the future success of our combined companies.

The offer price of $40.50 per share represents a significant premium to Shaw's shareholders, reflecting the value that the Shaw team has built over the past 5 decades.

Rogers and Shaw's networks are complementary, highlighting the extraordinary synergy opportunities to be unlocked through investment and integration. The combined company will be a reflection of the best global technology with national scale to benefit all Canadians, but never, never strain from its roots of operating on a local community level in communities and neighborhoods across the country.

The transaction will combine Rogers and Shaw's operational expertise and quality assets, and great talent pool will bring together Shaw's existing cable, fiber-to-the-home, satellite and wireless networks with Rogers' robust national wireless and extension and extensive 5G capabilities. The combined company will accelerate the delivery of critical 5G services from coast to coast, including across the West, from rural areas to dense cities, more quickly, more widely, more effectively than either company could achieve on its own.

Importantly, the transaction will create a coast-to-coast Internet provider with coast-to-coast fiber network. This will enable stronger competition and greater scale for large enterprise and government customers, which is needed for Canada's competitive position. Without question, the deal will accelerate deployment of 5G around the country and will assure competition and capital continue to be prioritized and reinvested in new technologies at home here in Canada and especially in Western Canada.

And what better way to attract new investment and research opportunities into our colleges and universities by highlighting that Canada has amongst the most vibrant and advanced nationwide 5G broadband infrastructure in the world.

Upgrading our digital infrastructure and accelerating digitization is critical for us to remain competitive as a nation. It will create jobs, will diversify our economy and will strengthen the innovation sector and fuel Canada's economic recovery.

Investment in Canada will increase through this combination. It has to, in order to keep pace with the consumer, with education, with business and the demand for speed and capacity. The pace for investment is accelerating. Today, both companies invest $3.7 billion annually in CapEx. And the underlying investment in 5G inherent in this total will only go up as 5G technologies continue to roll out across the country. This is a big task for both companies. And when combined, both companies are up for the challenge.

As part of the transaction, Rogers has committed to investing $2.5 billion to build 5G networks in Western Canada, which will enhance western competitiveness, offer consumers and businesses more choice and improve services and help to close the digital divide between urban and rural communities faster. 5G technology is the great enabler to deliver a timely, cost-effective, capability-rich Internet solution to rural Canada. As a result of this transaction, the companies will have the combined resources and expertise to deliver on this critical issue.

In addition to these growing investments, Rogers will commit an additional $1 billion to create the new Rogers Rural and Indigenous Connectivity Fund, dedicated to connecting rural, remote and indigenous communities across Western Canada to high-speed Internet, to broadband services. As part of this fund, we intend to consult with indigenous communities to create indigenous-owned and operated Internet service providers. These will be created within the communities. We'll leverage our expanded networks and capabilities to create sustainable local connectivity solutions.

Overall, these investments will create up to 3,000 net new jobs across Western Canada and deliver major long-term benefits for Western businesses and consumers. In addition to help all individuals and families connect to affordable Internet, Rogers will expand its Connected for Success program nationally, delivering high speed, low-cost broadband to every eligible low-income Canadian, including seniors receiving guaranteed income supplements, residents and rent geared to income housing or individuals receiving disability benefits, anywhere, our combined networks and a combined company offers internet services.

The transaction is subject to the Competition Bureau, ISED and CRTC approval. We look forward to working with them to ensure a successful completion of this transaction. With those approvals, this transaction will generate significant synergy opportunities to support the accelerated investment into 5G capabilities and the expanded high-speed rural connectivity throughout Western Canada. These benefits will also include access to new capabilities for Shaw customers, savings opportunities in media and network costs associated with greater scale, as well as other savings and growth opportunities.

The Rogers team is proud. We're proud to be joining portion with the Shaw team. We can't imagine a better partner to take on the significant technology challenges and opportunities ahead of us and to build an even stronger western presence together. Our combined Western Canadian teams will be over 10,000 people strong. And we'll bring together the best of the 2 corporate cultures that are both passionate, that are both focused on growth, that are both focused on serving customers and both focused on giving back to local communities. It's part of who we are, part of the culture of both companies.

The Western head office of the combined company will be located in the Shaw Court building in Calgary. The President of Western operations and other senior roles will be based locally, leading the combined company's western operations.

Both Ted Rogers and JR Shaw were passionate about investing in their communities, and this will only increase going forward. As part of this transaction, Rogers will build on Shaw's legacy of giving back to western communities. We're committed to working with the Shaw golf Charity Classic partners to extend this important event and the communities it supports over the next 10 years, as well as maintaining and growing local charitable giving and adding new youth scholarships to support the future talent pipeline in emerging technologies.

Western Canada is a major driver of our national economy. This combination of Rogers and Shaw will accelerate growth in the region and provide tremendous economic benefits and diversification to the West economy. The companies will have scale, expertise and commitment to deliver the technology and infrastructure needed, to keep western communities connected, businesses competitive and to attract new investment.

In summary, this transaction will happen at an important time for our industry, an important time for our country to enable the generational investments needed to make Canada-wide 5G a reality, to close the connectivity gap in rural, remote and indigenous communities much faster. So together then the next chapter for Rogers and Shaw is fundamentally about closing the digital divide, providing increased competition and choice for consumers and businesses and delivering best-in-class services and infrastructure to Canadians when it's needed most.

And with that, let me now turn the call over to Brad to provide his comments. Brad, over to you.

Bradley S. Shaw
Executive Chairman & CEO

Great. Thank you, Joe, for your kind words about JR, our family and for all our employees, who, for decades, have worked passionately to build resilient and successful companies that have always focused on serving our customers.

This is an exciting day as we celebrate the coming together of 2 great organizations built by thousands of great people. As many of you know, our families and our companies have known each other for many years, and we hold similar values and philosophies, including honesty, integrity, and a commitment to serving the needs of our customers and communities and treating our valued employees with care and respect.

For decades, Rogers and Shaw have been friendly but intense competitors. But all the while, we have respected each other, admired each other and learned from each other's actions. I would say that next to

Shaw's employees, we've learned to expect the best from our counterparts at Rogers, and I suspect they would say the same.

Since our first customer signed on in Sherwood Park, Alberta, Shaw has connected Canadians to their entertainment, their families and their businesses. For 50 years, my family has proudly worked alongside thousands of valued employees to build a Canadian success story.

Led by JR, we have always been builders of businesses and of networks. We've been successful because we have made generational investments whenever we took on a new challenge, whether it was to create a new cable plant, acquire other companies, or to leverage the latest technology to launch the Internet or a disruptive wireless business.

As we look to the future, there is unlimited potential. Connectivity and leading 5G technology will enable so much more than we can even imagine today. My family and I agree, the best way for us to serve our customers to deliver them the next-generation of network technology and services is to be a part of a strong national network.

The combination of Rogers and Shaw builds on the strong legacy of 2 families, founded Canadian companies and will create Canada's most robust, wholly-owned national network. By coming together, we will enable the scale, assets and capabilities to accelerate unprecedented investment, deliver new technology and more choice for Canadian consumers and businesses. Together, the new company will expedite the delivery of critical 5G service to customers across Western Canada from rural areas to dense cities, more quickly than either company could achieve on its own. This will be accomplished by bringing together the expertise and assets of both companies, including spectrum, Shaw's existing fiber plus network, WiFi and the wireless networks and Rogers' robust national wireless network and extensive 5G capabilities.

Today, we are taking the next step toward my father's dream of providing more Canadians with more world-class connectivity and better choices. My family and I fully support this transaction, and we look forward to being a part of the future success of the combined company. We truly are brighter together.

A big thank you to Edward, Joe and the entire Rogers team for their collaboration to make this possible. We are heartened by their commitment to our employees and our customers, and for stewarding the shared values that have made Shaw and Rogers so successful for decades.

I will now let Tony speak to the details of the transaction.

Anthony Staffieri
Chief Financial Officer

Thank you, Brad, and good morning, everyone. Let me start by reiterating Joe's and Brad's excitement for this transaction. This deal brings us immediate national scale and the opportunity to leverage wireless and wireline integration at a pace far exceeding what either of us could have done alone. And in particular, the financial benefits of the transaction to all shareholders are compelling.

Shaw's shareholders will benefit from a significant 70% premium on the transaction, and Rogers will be able to realize synergies that go well beyond the premium paid in the transaction and deliver meaningful growth in earnings, cash flow and share value. And in a record low interest rate environment, provide meaningful leverage upside in a primarily cash consideration transaction financed through debt.

Let me start by recapping the terms of the transaction. Rogers will be acquiring all of Shaw's Class A and Class B shares for a purchase price of $40.50 per share. This purchase price represents a 69% premium to Shaw's closing price of $23.90 per Class B share on the Toronto Stock Exchange on March 12, 2021, and a premium of 78% to the 20-day volume weighted average trading price on the TSX up to March 12. This price per share reflects total consideration of $20.4 billion for all shares outstanding or a transaction valued at $26.2 billion, inclusive of $5.8 billion of Shaw's net debt.

The offer is a 100% cash deal, except for approximately 60% of the shares held by the Shaw family, which will be exchanged for Class B shares of Rogers. The exchange ratio for these shares is based on the last

10-day weighted average trading value of Rogers' Class B shares and amounts to a conversion rate of 0.70 for each Class A or Class B share of Shaw that is tendered. This results in an estimated total 23.6 million shares of Class B shares issued by Rogers on closing.

The cash component of this transaction is estimated at $19 billion on closing, and we have secured all necessary short-term financing required to close this transaction. We do not foresee any requirement to issue equity or divest of any of Rogers' assets to fund this transaction.

On closing, our leverage ratio is expected to be just over 5x debt to EBITDA. However, we expect our leverage to quickly move to under 3.5x within 36 months of close, and we expect to retain our investment-grade credit rating throughout this period.

The transaction value reflects a valuation multiple of approximately 10.7x analyst's latest calendar year 2021 EBITDA estimates and a multiple consistent with recent telecom industry transactions. Importantly, we expect the transaction to yield substantial synergy benefits to the combined company in excess of $1 billion realized within the first 2 years of close. This reflects a post-synergy valuation multiple of 7.6x. We expect the transaction to be immediately accretive to earnings and cash flow per share. Our dividend payout ratio will fall to less than 30% within 24 months of close at current dividend levels.

Transaction has the irrevocable support of the Shaw family shareholders, and with that, a high degree of deal certainty. The transaction is being structured through a plan of arrangement in order to allow the Shaw family to receive a portion of their proceeds in RCI shares. As a result, a majority of the non Shaw family shareholders of the Class A and Class B shares is needed to support the plan of arrangement.

Mr. Brad Shaw will join the Board of RCI and the Shaw Family Trust will be entitled to appoint an additional member to the RCI Board. The transaction requires the approval of the Competition Bureau, the CRTC and ISED and is expected to close in the first half of 2022. A reverse break fee of $1.2 billion would be payable by Rogers to Shaw if the transaction does not close in certain circumstances.

The economic benefits of this transaction are sound and will add to Rogers' revenue and EBITDA by more than 40%. Additionally, the combination of the 2 companies will also diversify Rogers Cable/Wireless EBITDA mix to almost 50-50.

We are confident about our ability to execute on our synergies with most being cost and capital avoidance, which are within our control to realize. We have a proven history of delevering following periods of major investments and investors should feel comfortable, they will see a very timely return to our current leverage levels while providing the near and long-term value creation this transaction should generate. This transaction will create long-term value for both companies' shareholders. And just as important, this transaction will assure Canada's cable and wireless industry can support the significant capital requirements needed for 5G networks and the essential connectivity that rural Canadians desperately need.
Let me now turn the call back to the operator to commence with Q&A.

Question and Answer

Operator

[Operator Instructions]

Our next question comes from Drew McReynolds of RBC.

Drew McReynolds
RBC Capital Markets, Research Division

Congrats, Brad and Joe on this announced transaction. Guess I'll just start with 2 and then pass things along. First, on the regulatory approvals and specifically on the wireless side, clearly, there will be a fewer number of players in various markets. Can you provide kind of your view on that position and likelihood of approval? And can you also in that -- just talk to any discussions you've had on the regulatory side just for us to be able to gauge how far things are along?

Secondly, Tony, you said just with respect to leverage, no need for equity or asset sales. Maybe you could kind of drill down into that a little bit and just talk to the Cogeco stake talk to your non-telecom assets, Rogers Media and MLSE stake. Is there any kind of different view in terms of the strategic value of those assets, given some would argue a transformational acquisition here and really truly a focus on 5G?

Joseph M. Natale
President, CEO & Director

Let me start. Thanks, Drew, for the question. First of all, it's really too early to speculate on the regulatory outcome overall. But we feel confident this transaction will be approved. We expect the review to take between 9 and 12 months, think back to Bell, MTS took about 11 months or so.

It's important to bear in mind that 80% of Shaw's revenues and 97% of its free cash flow are earned from the wireline business, which does not compete directly with rum -- with Rogers, sorry. I'm saying rum for a long time with Rogers. It doesn't compete directly with Rogers.

We're going to work collaboratively with the regulators. They've got a set of procedures that we're going to work through. We've started engaging with them. We'll be constructive in that engagement. You know us to be always looking through the eyes and the lens of the government and the regulators and trying to figure out what is the smart solution, what is a smart outcome that makes sense for Canada, makes sense for consumers and makes sense for the combined company, and that's sort of what we're trying to solve for.

Some good conversations with some of the key people already. And we're going to be working this for the next many months. And we think we've got good set of things that we're putting out there. I mean there are 2 million homes in Canada that are underserved, either have no internet or have insufficient Internet based on the government's definition of underserved. And our $1 billion commitment goes a long way to closing that gap in addition to the universal broadband fund and other services in Western Canada. And our commitment to rural and remote communities, indigenous communities is -- it's an important part of what we're putting on the table here.

And looking forward, connectivity between urban and rural Canadians is the forefront of what's important to Canada. And 5G offers the ability to do that like never before. I mean 5G really is an amalgamation of wireline and wireless coming together to offer capabilities and connectivity that wasn't possible, given the economics of traditional landline, traditional 4G capabilities. So we believe that's an important factor in this discussion. And as well as having a national network is critical to being able to compete head on in all the different markets and segments of this business, especially in the business sector, but also in the consumer sector. More than ever, this is becoming a game and a market of working within both the wireline and wireless assets to drive opportunity and value and affordability to Canadians.

So we think we've got a good set of principles in place, and we've got a good relationship with the regulators, and we're just going to work it over next many months from the same side of the table.

Anthony Staffieri
Chief Financial Officer

With respect to the second part of your question, Drew, on leverage. As I said in my notes, on transaction close, our leverage will be just over 5x. We spent quite a bit of time in looking at our financial models and spent quite a bit of time with the credit rating agencies last week, walking them through those models and getting them comfortable and frankly, us comfortable, with what it -- those mean for our investment-grade rating. And as we go through those, we have a high degree of confidence that we can aggressively work down that debt to leverage ratio.

As I said in our notes, within a short period of time, we can get that leveraged under 3.5x, and that's really going to be on the back of executing the underlying business of Rogers, executing on the underlying business of Shaw and executing on the synergy benefits that we've identified as real intangible and can come quickly after the transaction close. So on that basis, we're comfortable that we will maintain our investment-grade rating throughout that period of time.

And so there's no need for us to look at selling any of our assets. Any decision with respect to Cogeco or other assets would be completely independent of this. And there's no decision to sell any of those assets.

Operator

Our next question comes from Jeff Fan of Scotiabank.

Jeffrey Fan
Scotiabank Global Banking and Markets, Research Division

I just want to congratulate both families, Brad and Joe for doing this deal. We've been waiting a long time for this. I'll start with a couple of housekeeping questions. Just regarding the synergies and what level of accretion that you guys are expecting on the back of this deal and particularly on the synergies, the breakdown, perhaps, between OpEx and CapEx?

And then just follow-on to Drew's regulatory question. Is regulatory approval, a condition of this transaction? And what level of divestitures, if any, are you willing to live with to get this deal done? And then finally, just on the operational side, it's a long closing. So what steps have both companies taken to ensure that there are no disruptions or distractions between now and close?

Anthony Staffieri
Chief Financial Officer

Jeff, thanks for your comments and questions. In terms of your first question on synergies, as we indicated in the comments, we see synergies in the realm of about $1 billion. And as I said, we see those as being very tangible. Most of that $1 billion relates to cost synergies. But we also see revenue synergies as well. We factored in less of those just because of the timing on them. But certainly, a quad play initiative is going to be an important upside for us. And as we think about having a national network for enterprise, we see opportunity there as well. But focusing on the cost side, that's where we see the majority of real tangible benefits.

We'll not get into the details of those. The transaction is quite a ways from closing. But you can expect them to be thoughtful, sustainable and balanced as we think about now being a national company with national presence.

In terms of CapEx savings, the opportunity for duplication is large, as you would expect. Our intent is to put much of that money saved into the investments that Joe spoke about earlier in terms of more fiber, more connectivity, more rural connectivity and a few other programs related to the network. So net-net, we do expect a net savings on CapEx, but it'll be -- our expectation, relatively mild compared to the OpEx synergies.

Joseph M. Natale
President, CEO & Director

And Jeff, on the regulatory side, I won't repeat what I said to Drew a few minutes ago, but I'll just reiterate one point that we feel confident in our ability to strike a good and balanced regulatory outcome. It's going to mean sitting down and just working through the pieces. We think as it relates to the cable business, it's complementary. There's virtually no overlap et cetera, and we've talked about that. So this comes down to discussions on the wireless business.

And I won't get into sort of what is our thinking on that for obvious reasons. But I would tell you that we're committed to getting this transaction done. This transaction does not get done without regulatory approval, and it's our responsibility to make that happen. And we're going to sit down with regulators and just work through the pieces. We're taking ideas and instruction from other transactions that have been done in Canada, in other parts of the world in terms of what is the best way to kind of strike that balance. But I would say, broadly, we're committed to 2 important planks: one is bridging the digital divide and providing connectivity for rural Canadians that have been left behind for far too long; and number two, continue to drive the affordability equation.

And that's why you've read in the announcement, a whole bunch of comments around affordability. And from the very beginning, Rogers has been focused on affordability, whether it's the launch of Unlimited, whether it's Connected for Success, and Shaw has been very much on that same page. So we share that ethos and that value set. So between driving the close of digital divide and driving affordability options, while maintaining some of the best networks in the world, the one thing we're all proud of as Canadians is that we have some of the very best networks in the world. We always rank #1 and #2 globally.

The challenge now is on for 5G. We have to maintain that crown in the 5G world. And 5G, more than ever, will infuse capabilities and opportunities for consumers and businesses, especially small and large businesses and some critical sectors in Canada that will rely on 5G technology. So this is about nation building, and the conversation is really about nation building that we plan to have with the government.

Regulatory environments are set for the time and for the future. And regulatory policies are set for the time and for the future. And the discussions that we've started having are that we need to have a regulatory environment and principles and support for the future of Canada. We can't take the policies and the environment from the past and apply them to the future. And that future focus, I think, is what's going to help us do these great things that I've been talking about.

And I think the regulators would agree that we ought to sit on the same side of the table, look to the future and say, what are the right principles and policies here that make sense for Canada, that make sense for rural Canadians, that make sense for small and large businesses so that we can come out of this recovery strong and we can set the table for the next generation. This is a legacy item for me, for Brad, for both management teams. And it's a legacy item, frankly, for our government as well in terms of the future focus for Canada. So -- and we're going to work through it over the next many months and do so thoughtfully. We've got a number of really good ideas around that, and we'll promise we'll keep you up to speed as it evolves.

In terms of the closing period being long, I mean, I'll speak to the Rogers' side of things, and then I'll ask Brad to speak to the Shaw's side of things. I mean, frankly, over the close period, it's business as usual at Rogers. We've got lots of great opportunities as we come out of COVID. The economic recovery will bolster opportunities and outcomes for us as travel returns and roaming resumes, as restrictions are lifted, and we see more and more traffic in our stores, like this is about the slingshot coming out of COVID.

The team is squarely focused on that, squarely focused on all of our businesses, Wireless, Cable, the enterprise business in Rogers for Business and the Media side, all of them have a trajectory that we're very proud of. And we're going to continue doubling down on that. We've got a strong management team, and it's business as usual, frankly, from our perspective. Brad, over to you.

Bradley S. Shaw
Executive Chairman & CEO

Great. Thanks, Joe. I guess a couple of things there, Jeff. I think, first of all, we got an excellent retention plan for all our key executives as we go through this regulatory approval. And I'd also just add that we have the interim operating covenants that gives us all the flexibility we need to compete and to make sure we deliver the business to Rogers. So we're feeling really good about the next year or so.

Operator

Our next question comes from Tim Casey of BMO Capital Markets.

Tim Casey
BMO Capital Markets Equity Research

Could you talk a little bit, Brad, about -- it's business as usual, but we have upcoming spectrum auctions, and there is spectrum that is set aside for Shaw. How can we reconcile that with respect to the regulatory review? Can you, I guess, one, confirm, Brad, that Shaw -- it will be business as usual, so to speak, with respect to spectrum? And does that complicate things on the regulatory side?

And then just back to synergies. Tony, can you talk a little bit about, on the cost side, how you're going to get there from the OpEx perspective? What -- is there major areas of low-hanging fruit beyond the obvious cost of operating a public company at Shaw? Where is the easy money to be found on the synergy side?

Bradley S. Shaw
Executive Chairman & CEO

Great. Well, I can start. Tim, it's going to be quick. But due to the auction rules, I'm unable to comment on the 3500 auction coming up. So unfortunately, I can't give you any color there.

Anthony Staffieri
Chief Financial Officer

And Tim, on the synergies, let me provide just a little bit of color. I mean, as you work through it, I'll say that the number we've put forward is, as you'll know, consistent with what you would have seen announced and realized on other deals in the telecom sector, not only in Canada, about south of the border. And in particular, as you look to European deals where there are many more wireline and wireless deals and have synergies. And so the number we're quoting is very much in the realm of, I would say, the average or median of those deals. And so you should take that as a proof point in terms of credibility.

The specific areas, we really don't want to get into. They'd be -- the deal is still a year out; and two, the pieces of the deal are still moving around as we work through the regulatory approval processes. And so it's still -- it's way premature to start divulging some of the specific areas. And so we'll leave you with the view that based on the work we've done, the due diligence. We are confident on our ability to execute on those synergies, and we'll leave it at that.

Tim Casey
BMO Capital Markets Equity Research

I understand. Are you able to provide any clarity on -- with respect to the set aside spectrum and how that would be viewed within the regulatory review process?

Anthony Staffieri
Chief Financial Officer

No, we can't provide any clarity, Tim. We're in a quiet period around spectrum, and it's -- we're unable to comment whatsoever.

Operator

Our next question comes from Aravinda Galappatthige of Canaccord.

Aravinda Suranimala Galappatthige
Canaccord Genuity Corp., Research Division

Congratulations to both companies and the families on the deal. 2 questions from me. number one, thinking beyond the cost synergies, the OpEx synergies, I should say, when you think of 5G, obviously, and Joe, you alluded to this quite a bit during your prepared remarks. When you think of the infrastructure that Shaw brings in the West, it's conceivable that there is far more significant CapEx savings as we go several years down the road when you think of the infrastructure and the backhaul needed for 5G. I was wondering if you can talk a little bit about that?

And secondly, I'm not -- I guess, based on the comments you made, you may not be able to break this down, but I was curious as to sort of the wireless/wireline OpEx synergy breakdown, if Tony can provide that at all. If not, that's fine, it's understandable. I'll leave it there.

Joseph M. Natale
President, CEO & Director

Thanks, Aravinda. I mean one thing to bear in mind is that 2 things are happening. One is 5G comes with a bunch of technologies that are game-changing around spectral efficiency, around the promise to fixed wireless, around the opportunity with respect to small cells. Like as we've talked in the past, 5G isn't just another G. 5G has a bunch of technologies that will further change how the networks are built and how we connect Canadians. And it's not just about wireless, 5G and the wireline fiber networks work together very closely.

I mean, the magic of 5G is as much about the wireless capability as it is about the wireline capability behind it. And gone will be the day soon where we talk about a network versus another network, it's just a network. It's just a network. And not to diminish the complexity and the skill in the art of it. There's a lot of skill behind it. But it's a network that uses all the modes of communications, whether it's glass, copper, coax, to transport signals through wireline networks and then uses the power of 5G and eventually 6G to kind of deliver that in different ways across different parts of the country.

And I think that synergy would just get stronger over time, and that opportunity gets stronger with time. And that's why scale is important. Scale is important. And we'll get to a place even with consumers where we offer them bandwidth, whether it's at home or on the go, right? It'll be sort of indifferent to whatever device they're on. It's just connectivity period.

So this is all coming together. If I can put you in a time machine, we get to a place where there's one network and one access to it that's delivered through all kinds of capabilities in the background. And therefore, you take a look at Shaw's extensive fiber network, you take a look at our extensive wireless network, you take a look at our strength and if both companies in cable and the connected home and both on the Comcast platform that we spent the last few years, delivering and deploying, it really is all coming together to create one capability that's virtually nationwide and will enable the future in a substantial way.

And there'll be synergies that go far beyond the near-term with respect to what that means as this industry evolves and develops. So I think we'll look back at this in 10 years' time and say, what a game changer that was for the combined organizations, and well look what it meant to Canada.

So we're very bullish on that. We haven't included any of that math in our models. Our models are kind of boring. Our models are very much like where are the synergy savings based on the year and now. And this deal stands up and makes sense just on that alone. So that's our mindset as a whole.

Anthony Staffieri
Chief Financial Officer

Aravinda, on the second part of your question, in terms of the split between wireline and wireless. We see the opportunities in both. But from a pragmatic perspective, when we talk about the net $1 billion synergy, let me put it in the context of when you look at Shaw's cash flow, over 90% of the cash -- free cash flow comes from the cable business. And so accordingly, when we talk about net benefits it is predominantly focused on the cable side of the business. Both of them long-term for sure, but pragmatically, just given the relative sizes, that's where we see it.

Operator

Our next question comes from Adam Shine of National Bank.

Adam Shine
National Bank Financial, Inc., Research Division

Congratulations to all parties. Maybe a few for Tony and then one for you, Joe. Just Tony, in terms of the $1 billion, obviously, over the course of the next 2 years, you've had a few questions on this from different angles. Maybe one more. Just in terms of how it might skew over that 24-month time frame? I mean, are we looking like 30-70 or some other sort of variation? With respect to accretion levels, I mean, it looks like the deal is, as has been alluded to, is rather material. I don't know if you can put any numbers around it. But are we talking potentially 30% EPS free cash flow accretion ex synergies?

And then maybe for you Joe, just in terms of timing, I understand the rationale for the deal from a timing perspective. I mean it does come just before the conclusion of the wireless review. It's been alluded to earlier that it does come also ahead of the spectrum auction, maybe neither of which had any particular issue in regards to how the parties negotiated and acknowledging the long lead time here. But just curious in regards to your thoughts as to timing. And then I don't think it was asked, but who came first? Did you approach Shaw or did Brad come forward to you?

Anthony Staffieri
Chief Financial Officer

Adam, I'll start with the first part of your question. In terms of the synergies, as we modeled out the various years, in the first 2 years, we see it roughly in the range of 55-45. And so it's almost split between the 2 years for practical purposes.

In terms of the second question, not to get too deep into some of the modeling stuff, but the accretion on various metrics, in particular, EPS that you mentioned, but also I urge you to look at and consider free cash flow per share, it's substantial. And it's reflective of the benefit we get with the leverage structure we're putting into the transaction.

You had quoted a number of, I think, 30% on EPS. And without getting into specifics, that certainly is in the realm of how we think about the potential upside.

Joseph M. Natale
President, CEO & Director

And Adam, in terms of timing. I'll let Brad talk to the history of this conversation. But in terms of timing, I would say the timing is -- from a macro perspective, I think it's very good timing. We're on the doorstep of 5G. I won't go over that again, but time is now around that. Rural connectivity is important as we come out of COVID. The time is now around that and big government support from things that are happening, both federally and provincially and through the CRTC on that side. And the capital markets are supportive. I mean, capital markets in terms of the debt markets and the support financially for this transaction has been terrific.

So I mean, those are the things that really are kind of front and center for us. It's sort of what does it mean for Canadians? What does it mean for the future in terms of our industry and infrastructure? And what does it mean for the capital markets? And those are the 3 things that kind of came together at this point in time, fueled by the desire of both organizations to make it happen. I don't think it's more complicated than that.

And no matter when you do it, there are things to navigate with respect to what's happening around it. And we're fully prepared to do exactly that. Brad, any thoughts or comments?

Bradley S. Shaw
Executive Chairman & CEO

Yes, sure. Thanks, Adam. And I would just -- as you -- as you know, the families have had a long relationship, and we've had ongoing conversations. And Joe and I are always talking about the industry or where things are going from a variety of angles. And I can tell you that probably late in the fall and even late in the summer under COVID, we've had to do a little bit of dance and tried to do things. But we've -- we're -- we've explored where things might go and opportunities. And I think as we look at that and looked at what Shaw was facing from investment cycle and scale and a variety of other conditions, we decided to take a deeper look. And I think Joe was able to come out.

We met at a Calgary airport and [indiscernible] and everything else, and it kind of took off from there. And I think this is the conclusion of that over the last couple of months. And I think we've -- we're very pleased how it kind of came together, and we took our time to make sure we did all the right things as we looked where Shaw had the future and the opportunity and believe this is the best course going forward for our company to go together with Rogers.

Operator

Our next question comes from Batya Levi of UBS.

Batya Levi
UBS Investment Bank, Research Division

Congratulations. I just wanted to ask 2 quick questions. One, if you could provide some color on how you would approach your cable strategy going forward? Would it be an integration of licensing the Comcast platform or any color would be great?

Second is, I noticed that you had given some commitments to maybe Freedom customers, I saw for no change of pricing for at least 3 years after the close. Can you talk a little bit about maybe other commitments that you have made? And maybe the $1 billion rural CapEx commitment, how many homes would that be and how long it would take?

Joseph M. Natale
President, CEO & Director

Thank you, Batya. First of all, we're both on the Comcast platform. We're both on the same version of the Comcast platform. We've been sitting across the table from each other in Comcast meetings and discussions around the nature of the technology and the road map. So we're well-versed, both organizations and the synergy is there, both in terms of the video platform, but also the design and construction of the network and the way the network has been thought through is very complementary.

And the history of cable has been about cable companies coming together. And the synergies are born out of the fact that the technology is similar, the technology and the platforms are similar, and therefore, the synergies are very, very strong from that perspective. We've got the added benefit of being on very much the same video platform as we do this. And I think that's a strong opportunity for us.

On the rural side, it's $1 billion of net new investment. There are 600,000 homes in Western Canada that are underserved by the definition of underserved, either they have no internet or they fall below the 5010-meg service level that's been articulated by the government. The federal government has a $1.75 billion Universal Broadband Fund. So $1 billion in the West is substantial. I'm not going to get into the number of homes exactly that we will cover, et cetera, but it's substantial.

And it's a combination of fiber, coax and fixed wireless. And fixed wireless will allow us to stretch network capability and footprint capability like never before, into less densely populated areas. So we think we get a lot of bang for our buck with respect to 5G and fixed wireless and where that takes us as well as the traditional sort of trenching and extending the fiber networks. And we think this is a very important initiative, not just for our business as we grow our network and grow our business and grow our customer base, but also from a nation-building Canadian policy point of view.

Operator

This concludes the question-and-answer session. I will now turn the conference back over to Joe Natale for any closing remarks.

Joseph M. Natale

President, CEO & Director

Thanks, Ariel. Let me just say, on behalf of the Rogers team and the Shaw team, we're really excited about what we do together, stronger together is sort of the theme and the anthem for this entire combination. We think we've got a great set of combined assets. We've got 2 great management teams, great capabilities that give us the right scale and the right opportunity to deliver more for Canadians and to deliver capability that's future proofed. Capability that will be there for generations to come, and that we'll continue to put Canada on the top of the map with respect to the capabilities that have built this great country around telecommunications.

Really in the spirit of our founders of JR Shaw and Ted Rogers, we're just picking up where they left off from that perspective and setting the table for the next generation. And our goal overall is to have that team down the road, and look back and say, thank goodness that this team made those investments and built up this capability.

We feel confident in the synergies. We've been through them. As you would imagine, expect us to do exhaustively, looking at all the comparables that Tony -- as Tony mentioned, doing bottoms-up in all the various synergy cases. We feel confident in our ability to drive down our leverage and deliver the cash benefit. And so it's great opportunity. These are scaled businesses. These are scaled businesses with high fixed costs. And therefore, economies of scale and scope really matter. And we've got the opportunity to do just that.

And then the last thing I would say is that we've got a great talent pool in both organizations. And whenever you take 2 great talent pools and bring them together, wonderful things happen. So we're very pleased -- we're very confident in getting to a good regulatory outcome. I know there's a lot of questions around that point today, but we've got some good thinking on that front, some great advisers. And we have -- we're very confident in where we'll land. Overall, that will be beneficial, make this deal work and lay the foundation for the future I've described.

So thank you for your time and attention, and we'll -- sure we'll be speaking to each other very soon.

Operator
This concludes today's conference call. You may disconnect your lines. Thank you for participating, and have a pleasant day.

This is Exhibit 12 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Rogers + Shaw

March 15, 2021

ROGERS Shaw

Safe Harbor

This presentation includes “forward-looking information” within the meaning of applicable securities laws relating to, among other things, the anticipated benefits of the transaction, the anticipated timing for the special meeting to approve the transaction, the timing and anticipated receipt of required regulatory approvals and the anticipating timing for closing the transaction. Forward-looking information may in some cases be identified by words such as “will”, “anticipates”, “expects”, “intends” and similar expressions suggesting future events or future performance.

We caution that all forward-looking information is inherently subject to change and uncertainty and that actual results may differ materially from those expressed or implied by the forward-looking information. A number of risks, uncertainties and other factors could cause actual results and events to differ materially from those expressed or implied in the forward-looking information or could cause our current objectives, strategies and intentions to change. Accordingly, we warn investors to exercise caution when considering statements containing forward-looking information and that it would be unreasonable to rely on such statements as creating legal rights regarding our future results or plans. We cannot guarantee that any forward-looking information will materialize and you are cautioned not to place undue reliance on this forward-looking information. Any forward-looking information contained in this news release represent expectations as of the date of this news release and are subject to change after such date. However, we are under no obligation (and we expressly disclaim any such obligation) to update or alter any statements containing forward-looking information, the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. All of the forward-looking information in this news release is qualified by the cautionary statements herein.

Forward-looking information is provided herein for the purpose of giving information about the proposed transaction referred to above and its expected impact. Readers are cautioned that such information may not be appropriate for other purposes. The completion of the above-mentioned proposed transaction is subject to customary closing conditions, termination rights and other risks and uncertainties including, without limitation, court, shareholder and regulatory approvals. Accordingly, there can be no assurance that the proposed transaction will occur, or that it will occur on the terms and conditions contemplated in this news release. The proposed transaction could be modified, restructured or terminated. There can also be no assurance that the strategic benefits and competitive, operational and cost efficiencies expected to result from the transaction will be fully realized.

A comprehensive discussion of other risks that impact Rogers and Shaw can also be found in their public reports and filings which are available under their respective profiles at www.sedar.com..

Today's Speakers

1. Joe Natale – President and Chief Executive Officer, Rogers Communications Inc.

2. Brad Shaw – Executive Chair and Chief Executive Officer, Shaw Communications Inc.

3. Tony Staffieri – Chief Financial Officer, Rogers Communications Inc.

Strong Legacy and Shared History

Ted Rogers JR Shaw

Strategic Rationale

Enhanced Scale	• Combination creates a coast-to-coast wireline network and wholly-owned national wireless network with spectrum capacity needed to serve next generation technologies
Wireline Network Expansion	• Access to a high-quality, deep fibre network across western Canada to support consumer and enterprise offerings
Near-National Consumer Offering	• Ability to offer bundled wireline and wireless across a larger footprint • Reduction in churn expected from increased bundling potential
Rural Expansion	• Offers opportunity to provide rural expansion through 5G & fixed wireless access technology
Synergistic Benefits	• Provides new cable and wireless technologies for Shaw consumers • New offerings for enterprise customers • Cost savings with a larger customer base, reduced real estate, and leveraging best practice

Strength of Rogers + Shaw

Delivering Connectivity and Investment Across Canada

Combined company will help Rogers close the digital divide, deliver best-in-class-services and infrastructure, and provide increased competition and choice for Canadian consumers and businesses

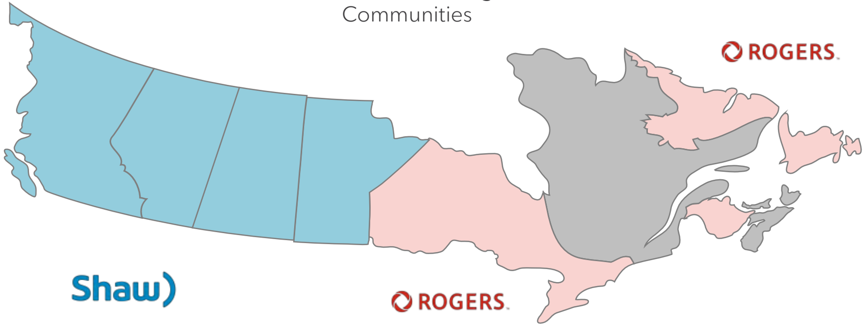
Combined Footprint

$3.7B
Annual Capex

$2.5B
Commitment to 5G Investment for the West

10,000
Combined Western Canada Team Members

$1B
Dedicated Investment to Connect Rural, Remote and Indigenous Communities



Benefits to Customers and Communities

- Brings together Shaw's fibre-to-home, WiFi and wireless networks with Rogers' robust national wireless network and 5G capabilities
- Will continue offering affordable wireless plans including no price increases for Freedom Mobile customers for at least three years following the close of the transaction
- Doubles number of Rogers wireline subscribers, creating a coast-to-coast internet provider that can bring healthy competition to large enterprise and government customers
- Accelerates deployment of 5G across the country, including Western Canada
- Committed to investing in our communities and increasing charitable giving
- Combination will accelerate growth in the region and provide tremendous economic benefits and diversification to the West's economy

Commitment to Western Canada

- Committed to accelerate deployment of 5G and new technologies in Western Canada through significant investment
  - $2.5 billion investment in 5G networks in Western Canada, driving economic growth and strengthening innovation sector
  - Creation of $1 billion Rogers Rural and Indigenous Connectivity Fund dedicated to connecting rural, remote and Indigenous communities to high-speed Internet
  - Additional $3 billion to support additional network, services, and technology investments
- Investments to create up to 3,000 net new jobs and deliver major long-term benefits for Western businesses and consumers
- Western head office of the combined company to remain in Shaw Court in Calgary; President of Western operations and other senior roles to be based in new HQ
- Committed to working with the Shaw Charity Classic partners to extend for the next ten years as well as continuing local charitable giving and adding new youth scholarships to support the future talent pipeline in emerging technologies

Brad Shaw
Executive Chair and Chief Executive Officer

Shaw Communications Inc.

Transaction Details

Key Offer Details

- Rogers to acquire all of Shaw's Class A and Class B shares for $40.50 per share
  - Reflecting a ~70% premium to Shaw's Class B share price
- Shaw Family fully committed to transaction
  - Rolling 60% of their ownership
  - Will be a ~4.5% shareholder in Rogers
  - Agreed to a 15 month hard lock-up to vote in support of the transaction
  - Brad Shaw, and another Director to be nominated by the Shaw Family, will join the Board of Rogers
- 100% cash consideration for shares not held by the Shaw Family
- Transaction to be effected through a Plan of Arrangement

Financial Highlights

- Significantly accretive to free cash flow per share
- Reduces dividend payout ratio to below 30% within 24 months of close
- Maintains investment grade credit profile
- Expected net leverage at close of just above 5.0x
  - Deleveraging to ~3.5x within 36 months of close

Financial Overview

($B)	
Total Equity Value of Offer	$20.4
Net Debt (incl. preferred shares)	$5.8
Enterprise Value	**$26.2**
Transaction Multiple EV/CY21E EBITDA[1]	**10.7x**
Transaction Multiple (post synergies) [2]	**7.6x**

Financing Structure

- Cash component of this transaction is estimated at $19 billion on closing
- Required financing in place
- Shaw's existing debt to roll into the combined Company

1. Based on Factset consensus estimates
2. Assumes $1.0 billion of annual synergies

Next Steps

April	• File all regulatory approvals • Mailing of proxy circular to Shaw shareholders
Early May	• Shaw shareholder meeting to vote on Plan of Arrangement
Q1 2022	• Regulatory approval • Transaction closing

Significant Value Creation Opportunity for Rogers

Transaction is expected to generate significant revenue and efficiency opportunities

Revenue Growth	• Bundle opportunity • Improve customer service and reduce churn • Coast-to-coast fibre network
Operational Efficiencies	• Network and IT • Procurement • Distribution and Marketing • SG&A
Capital Efficiencies	• Network infrastructure • IT and back office • Fibre build

Rogers + Shaw

March 15, 2021

ROGERS Shaw

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This is Exhibit 24 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Focused on the future.

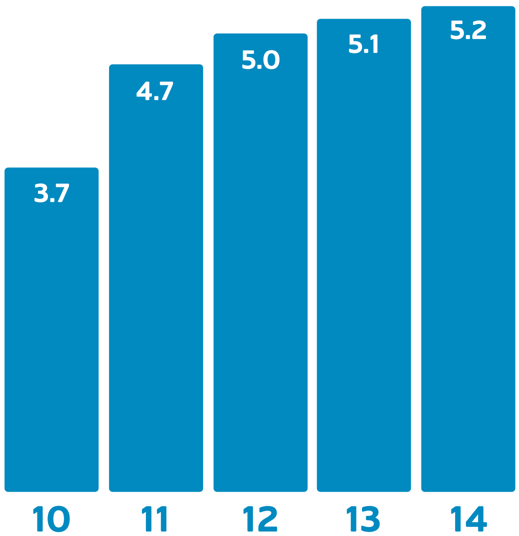
2014 Annual Report

Shaw)

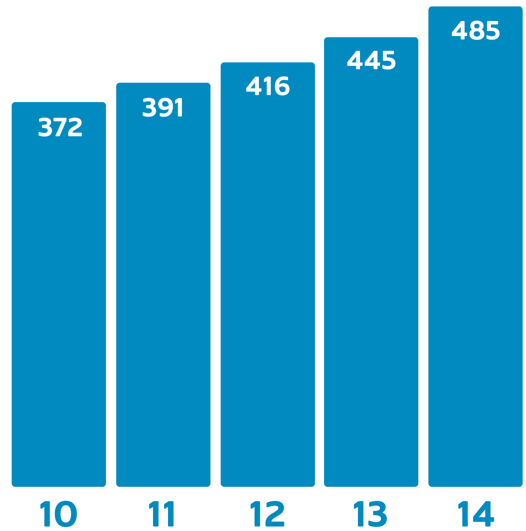
The Annual General Meeting of Shareholders will be held on January 14, 2015 at 11:00 am (Mountain Time) at the Shaw Barlow Trail Building, 2400 – 32 Avenue NE, Calgary, Alberta.

At Shaw, every decision we make, and every initiative we launch, is driven by customer choice and the imperative to bring quality, reliability, innovation and value to the customer and viewer experience.

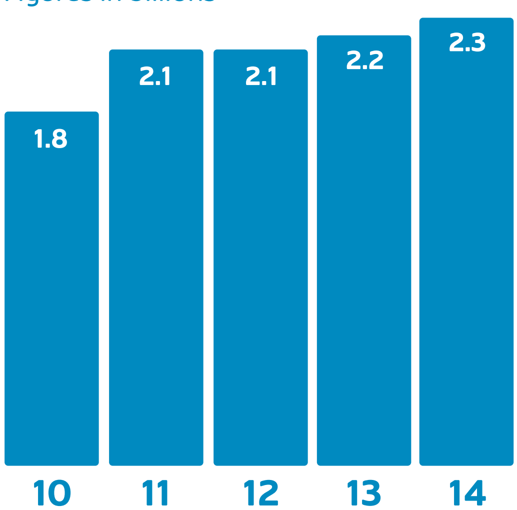
Revenue*
Figures in billions



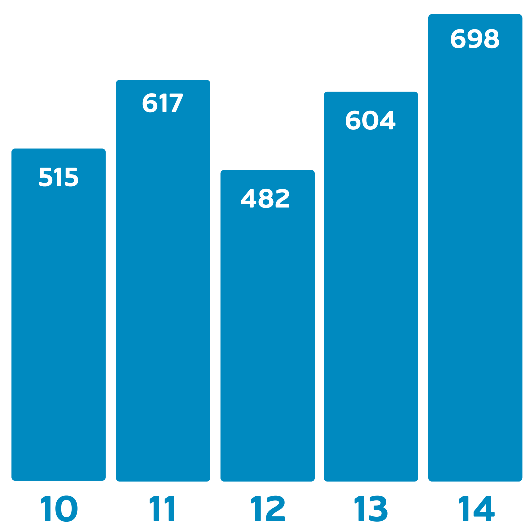
Dividends
Figures in millions



Operating income before restructuring costs and amortization*
Figures in billions



Free cash flow*
Figures in millions



*Financial information for fiscal 2010 is prepared in accordance with previous Canadian generally accepted accounting principles.

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2014

Dear Fellow Shareholders:

Our performance in fiscal 2014 reflects our continued focus on the delivery of exceptional experiences and leading technology to our customers and viewers, a disciplined focus on operational efficiencies, and sound capital management creating value for all stakeholders.

We believe our past and future success has been, and will continue to be, a direct result of our commitment to understand and meet the needs of our customers and viewers. During fiscal 2014 we have continued to take steps to evolve our business as we seize the opportunities and address the challenges of today's environment. The shift over the last several years in how Canadians connect with one another and consume entertainment and other content continues to change our business and the telecommunication landscape. To remain competitive, we have chosen to become a network and content experience company.

We have leveraged the strength of our leading network infrastructure and our access to great content to launch services that Canadians can enjoy on any device they choose. During the past year we partnered to expand our offerings to include a music streaming service from Rdio and online shopping through shop.ca, and we also launched several apps for mobile devices that expanded our robust suite of TV Everywhere offerings. Most recently we launched video streaming from shomi – a made-in-Canada on-line content experience service with cutting-edge customization and an impressive depth of programming choice.

We are a leader in customer-friendly innovation. Shaw Go WiFi has brought an entirely new connectivity experience to Western Canadians. As Canada's largest WiFi network, Shaw Go WiFi brings our customers seamless coverage through more than 45,000 access points. Our customers have registered more than 1.25 million devices for use on Shaw Go WiFi.

We are identifying areas for growth that are meaningful for our customers today and in years to come. In September 2014, we closed the acquisition of ViaWest, Inc., which provides us with a growth platform in the attractive North American data centre sector and is a significant step in expanding our technology offerings for mid-market businesses in Western Canada. The experience and expertise of the ViaWest management team will drive the next phase of that business' growth in the U.S. while accelerating the development of our domestic data centre platform.

Shaw reaches virtually all Canadians through our business. We serve over three million Canadian households with broadband Internet, WiFi, digital phone and video services, and we deliver Global Television to almost all Canadian homes, along with the 19 specialty networks of Shaw Media. We take seriously our responsibility to earn the trust and business of each of these customers and viewers and know their loyalties are constantly tested in today's dynamic environment through fierce competition from an increasing number of networks, content and service providers. We thrive on this rivalry, challenging ourselves everyday to better serve our customers.

FINANCIAL AND OPERATIONAL PERFORMANCE

Our diligent cost management and disciplined pricing approach to the market continues to resonate in our financial results.

In fiscal 2014, we delivered revenue and operating income before restructuring and amortization growth of 2%. After considering the impact of acquisitions and dispositions, operating income before restructuring and amortization growth was 3%. Free cash flow for the

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2014

year rose to $698 million, an improvement of 15% over the prior year. In fiscal 2014, we also increased our dividend by 8%, returning $485 million to shareholders.

During fiscal 2014 we continued to make the necessary capital investments, spending over $1 billion as we maintain, grow, and enhance our infrastructure, which includes one of North America's most extensive and advanced fibre networks.

Our capital structure and healthy liquidity position support investment grade ratings. We enter 2015 with solid cash flows and a strong balance sheet providing the financial flexibility to capitalize on opportunities as they arise.

During fiscal 2014 we reorganized our management and implemented various initiatives designed to improve our overall performance, enabling us to enhance efficiencies, standardize best practices and drive accountability. We filled gaps in our leadership team with high caliber talent from outside the Company, and most importantly, ended the year with a renewed customer centric focus.

We are entering fiscal 2015 with a solid foundation across our business. We know that we cannot afford to preserve the past. If we are to serve the growing and changing needs of our customers and remain competitive with the proliferation of alternatives available, we need products, services and solutions that look forward, that promote choice, and that go where the consumer is going and not where that consumer has been. Whether it be on traditional linear TV or new streaming technologies enabled by the Internet, Canadians want access to content anytime they want, anywhere they are, and on the device that most suits their needs.

At Shaw, every decision we make, and every initiative we launch, is driven by customer choice and the imperative to bring quality, reliability, innovation and value to the customer and viewer experience.

OUR COMMUNITIES

We are proud to give back in the communities we serve. In fiscal 2014, Shaw contributed approximately $60 million in cash and in-kind contributions to charitable and community organizations working to make our neighbourhoods and cities better places for everyone.

We are also proud to be the founding title sponsor of the Shaw Charity Classic. In two short years, this event has become the best on the Champions Tour showcasing golf's greatest players. This tournament has donated more than $4.5 million toward children's charities in Southern Alberta while giving thousands of people the chance to see world class golf in Calgary.

CONCLUSION AND OUTLOOK

The past year has been filled with change and opportunity for our business and our employees. We expect nothing less as we look forward to fiscal 2015 and beyond.

The rapid changes in our industry have attracted the attention of regulators and policymakers in Canada, and we are pleased to continue to work with them to identify and develop policies that are in the best interests of Canadians. We appreciate the opportunity to participate in a variety of forums, including the Let's Talk TV proceedings launched by the Canadian Radio-television and Telecommunications Commission, to provide our views and to emphasize our commitment to our customers and viewers.

Shaw Communications Inc.
REPORT TO SHAREHOLDERS
August 31, 2014

Our 14,000 employees have proven they are among the best in our industry. Their commitment to our customers and our viewers is unparalleled and we thank them for all that they have done to create value and pride in our Company.

We are excited by the potential of our business in the future, and we are grateful for the continued confidence and support of our fellow shareholders in Shaw Communications Inc.

In closing, we would like to acknowledge the significant contribution made by Paul Robertson, who passed away September 2, 2014 after a courageous battle with cancer. Paul was an inspiring leader, generously sharing his insight and wisdom with all around him. Paul's passion for the Canadian media industry, his warm personal leadership style and infectious sense of humour made him truly one of a kind and we are honoured to have had him as part of our Shaw Leadership Team.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

November 28, 2014

FORWARD

Tabular dollars are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements.

INDEX

CONTENTS **Page**

Outline

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. Such statements include, but are not limited to, statements about future capital expenditures, asset dispositions, financial guidance for future performance, business strategies and measures to implement strategies, competitive strengths, expansion and growth of Shaw's business and operations and other goals and plans. They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. These assumptions include, but are not limited to, general economic conditions, interest and exchange rates, technology deployment, content and equipment costs, industry structure, conditions and stability, government regulation and the integration of recent acquisitions. Many of these assumptions are confidential.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within Shaw's control, may cause Shaw's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to, general economic, market and business conditions; changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies; industry trends and other changing conditions in the entertainment, information and communications industries; Shaw's ability to execute its strategic plans; opportunities that may be presented to and pursued by Shaw; changes in laws, regulations and decisions by regulators that affect Shaw or the markets in which it operates; Shaw's status as a holding company with separate operating subsidiaries; and other factors described in this report under the heading "Known events, trends, risks and uncertainties". The foregoing is not an exhaustive list of all possible factors. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Corporation provides certain financial guidance for future performance as the Corporation believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

I. INTRODUCTION TO THE BUSINESS

A. Company overview – core business and strategies

Shaw Communications Inc. ("Shaw" or the "Company" or "Corporation") is a diversified communications and media company. Shaw serves 3.2 million consumers and businesses through a reliable and extensive fibre network. Shaw provides consumers with broadband Internet, WiFi, Digital Phone, and cable and satellite television. Shaw Business, provides businesses with Internet, data, telephony, television and fleet tracking services, and ViaWest provides collocation, cloud and managed services. Shaw Media provides Canadians with engaging programming content through one of Canada's largest conventional television networks, Global Television, and numerous specialty networks. Shaw provides customers with high-quality entertainment, information and communications services, utilizing a variety of distribution technologies.

Shaw's business is encapsulated within its vision statement: "We, the leading entertainment and communications company, deliver exceptional customer experience through outstanding people sharing Shaw values."

Shaw's strategy is to maximize shareholder value through the generation of free cash flow.[1] The key elements of this strategy include: leveraging its network infrastructure and programming assets to offer customers a wider variety of products and services; enhancing existing products to provide greater value to customers; providing exceptional customer service; bundling product offerings to provide value to both Shaw and the customer; and focusing on sound capital management and operational efficiencies to maintain a competitive edge.

The strategy also includes promoting brand awareness, strengthening the Shaw name from coast to coast. The Shaw brand is synonymous with diverse product offerings and high-quality customer service.

During 2014 the Company operated three principal business segments: (1) Cable – comprised of cable television, Internet, Digital Phone and Shaw Business operations; (2) Satellite – comprised of direct-to-home ("DTH") and Satellite Services; and (3) Media – comprised of television broadcasting. As a percentage of Shaw's consolidated revenues for the year ended August 31, 2014, the Cable, Satellite and Media divisions represented approximately 63%, 16% and 21% of Shaw's business, respectively. During 2014 Shaw's businesses generated consolidated revenues of $5.2 billion.

A fourth business segment, Wireless, was in the development/construction stage during 2010 and 2011. During 2008 the Company participated in the Canadian Advanced Wireless Spectrum ("AWS") auction and was successful in acquiring 20 megahertz of spectrum across most of its cable footprint. In March 2010 the Company commenced activities on a traditional wireless infrastructure build and late in 2011, after completing a strategic review of this initiative, decided to not pursue a traditional wireless business. During 2013 the Company entered into an agreement with Rogers Communications Inc. ("Rogers") to grant Rogers an option to acquire its wireless spectrum licenses. The potential option exercise for the sale of the wireless spectrum licenses is subject to various regulatory approvals.

[1] See definitions under key performance drivers on page 21.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

During 2014, Shaw announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. Shaw's existing residential and enterprise services will be reorganized into new Consumer and Business units, respectively, with no changes to the Media division. In addition, in September 2014 the Company closed the acquisition of ViaWest, Inc. ("ViaWest"), a US-based provider of data centre infrastructure, cloud technology and managed IT solutions. ViaWest will continue to operate as a standalone unit. The Company expects to commence reporting on the new divisions of Consumer, Shaw Business, ViaWest and Media in fiscal 2015.

The description of the Company's operating business segments, including more specific details for the last two fiscal years follows.

B. Description of the business

(i) Cable

Shaw's Cable operations provide Cable television, Internet, and Digital Phone services to residential and business customers. These services are delivered through an extensive fibre optic and co-axial cable distribution network.

Shaw's strategy is to leverage its network by providing products and services beyond traditional cable television. In past years, it enhanced the quality, depth and capacity of its plant and network infrastructure through significant capital investments, and the plant and network is essentially fully digital and two-way capable. These investments have enabled Shaw to expand its service offerings to include digital programming, On Demand programming, High Definition ("HD") television, Internet, WiFi, various on-line or over-the-top ("OTT") offerings, and Digital Phone. In 2013 Shaw substantially completed a major upgrade of its co-axial cable network to convert analog television tier services to digital and reuse the spectrum on the cable plant for other purposes. The reclamation initiative was referred to as the Digital Network Upgrade ("DNU").

This upgrade significantly increased the capacity of the Shaw network and allows the Company to expand its Internet, HD and On Demand offerings. Shaw's investments in plant infrastructure will also accommodate further growth opportunities. Shaw continues to invest in technology initiatives to reclaim bandwidth and optimize the capacity and efficiency of its network, including increasing the number of nodes in the network and using advanced encoding and digital compression technologies such as MPEG-4.

To take advantage of potential administrative, operating and marketing synergies that arise from larger, focused operations, Shaw has consolidated its position as the dominant provider of cable services in Western Canada. Approximately 70% of the Company's cable television subscribers are clustered in and around five major urban markets in Western Canada: Vancouver and Victoria, British Columbia; Calgary and Edmonton, Alberta; and Winnipeg, Manitoba. The balance of Shaw's subscribers are mainly in smaller regional clusters, linked via fibre either to each other or to larger markets. These markets include the Okanagan region, British Columbia (Kamloops, Kelowna, Penticton, Vernon); Saskatoon/Prince Albert/Moose Jaw/Swift Current, Saskatchewan; and Thunder Bay/Sault Ste. Marie, Ontario.

In 2013, Shaw completed the disposition of Mountain Cablevision Limited ("Mountain Cable"), a cable system located in Hamilton, Ontario.

Shaw has a customer-centric strategy designed to deliver high-quality customer service, simplicity and value to its customers through various bundled service offerings for its Cable television, Internet and Digital Phone services. The benefits of bundling to customers include the convenience of "one-stop shopping" and value pricing. The benefits to Shaw include retention of existing customers (churn reduction); attraction of new customers; incremental penetration as customers upgrade to additional services offered in a bundle; and operational efficiencies through centralized billing and customer care.

A more detailed description of each of the principal operations comprising the Company's Cable segment is set forth below.

Cable Television

The Company's initial core business was cable television services, which today continues to provide the customer base and physical infrastructure for much of the Company's distribution service businesses. The Company is one of the largest cable television providers in Canada. As at August 31, 2014, Shaw served approximately 2.0 million cable television customers in five provinces (British Columbia, Alberta, Saskatchewan, Manitoba and certain portions of Ontario).

The Company's cable television business is operated through its extensive fibre optic and co-axial cable distribution network. Shaw's long haul fibre backbone and regional and metro interconnect networks link its cable systems and subscribers together. Shaw receives originating television signals at its various signal acquisition sites, then processes and distributes these signals via its networks to customers' homes in its cable serving areas. Digital cable customers receive additional services via digital cable terminals ("DCTs") which translate encrypted signals delivered to customers' homes over Shaw's network. With the substantial completion of the DNU, only legacy basic cable service is delivered via analog signals. Currently, approximately 95% of Shaw's cable customers are Digital cable customers.

Digital cable significantly expands the range of services that may be offered to a subscriber and extends programming capacity. Digital cable also enhances picture and sound quality and provides the platform from which Shaw has launched, and expects to continue to launch, new revenue-generating video and interactive services. Shaw offers customers a variety of DCTs for purchase or rent.

For its Digital subscribers, Shaw offers On Demand viewing options, including Pay-Per-View ("PPV"), Video-on-Demand ("VOD"), and Subscription VOD ("SVOD") services. The PPV service allows customers to select and pay for specific programs which are available on various channels with set start times. The VOD and SVOD services enable customers to select programming from a library of titles through an on-line ordering system or directly through the set-top interactive program guide, and to view the programming on their television or on-line at a time of their choosing, with pause, skip backward and skip forward functionality. On Demand programming includes movies, sports, concerts and other special events, with prices dependent on the nature of the programming. Shaw also offers a wide variety of free On Demand programming including hit TV series, movies, events, music videos and more.

Of the Company's cable television customers, over 1.3 million have HD capabilities. Shaw continues to launch HD channels which offer superior picture detail and sound quality in a format that fully utilizes the capabilities of wide screen, HD ready televisions. In support of HD, Shaw offers for purchase or rent DCTs which support the decoding and processing of HD content, as well as DCTs which incorporate HD and Personal Video Recorder ("PVR") features including the Gateway whole home HDPVR solution that connects to up to six TVs in a home.

In 2012, Shaw launched the first phase of its TV Everywhere service, Shaw Go, which allows customers streaming access to TV shows, sporting events and movies on popular mobile devices, including WiFi enabled tablets and smartphones. The Company now has more than 10 services available through Shaw Go, including Global Go, HISTORY Go, CTV Go and various childrens, sports, movie and other entertainment programming. In 2014, Shaw also launched its Gateway Go app, which allows customers to search, record and manage shows on their Gateway whole home HDPVR from a range of popular mobile devices.

Internet

Leveraging its cable television infrastructure, Shaw provides high-speed Internet access services to residential and business subscribers in almost all of its operating areas. The Company currently offers a wide variety of residential Internet service levels to match the data speed, usage and budget requirements of its subscribers. Similar to its residential Internet service, Shaw also offers a variety of Internet services for small and medium business customers. As at August 31, 2014, there were over 1.9 million subscribers to Shaw's Internet access services.

In providing its Internet access services, Shaw leverages DOCSIS 3.0, a data over cable technology, which has enabled the Company to increase the capabilities and reliability of its network by increasing the capacity and throughput of both the upstream and downstream portions of Shaw's co-axial cable infrastructure. Upgrades and enhancements of its capital infrastructure are ongoing, improving the capacity and reliability of the Company's Internet backbone and decreasing the average node size to reduce network congestion.

During 2014, Shaw continued the build out of its managed carrier-grade WiFi network, Shaw Go WiFi, which extends a customer's broadband experience beyond their home. The service was launched in 2012 on a trial basis in select cities, and is now available in most areas served by Shaw. In addition in 2014, Shaw reached agreements with a number of cities to expand Shaw Go WiFi service to public areas within those cities. WiFi is in virtually all portable consumer communication devices and customers are actively seeking WiFi hotspots to reduce wireless data costs and improve their wireless broadband experience.

Shaw operates two internal Internet data centres in Calgary, Alberta and several smaller regional centres. The data centres allow the Company to manage its Internet services exclusively, providing e-mail service directly to its customers using "@shaw.ca" e-mail addresses, provisioning web space, and managing backbone connectivity and peering arrangements with other telecom providers. The data centres also host Shaw customers' most popular web content locally.

During 2014 the Company continued construction of a new internal data centre in Calgary that will allow it to stay ahead of the technology curve by being able to handle new innovations as they are adopted, such as the WiFi network initiative or new IP video technologies. The new data centre will incorporate energy efficient cooling systems allowing Shaw to reduce the environmental impact of this facility. The data centre is planned to be complete in fiscal 2015.

Digital Phone

Shaw Digital Phone, a reliable, fully featured and affordable residential telephone service, is currently offered in approximately 95% of homes passed. As at August 31, 2014, Shaw had over 1.3 million Digital Phone lines (primary and secondary lines on billing).

Shaw Digital Phone offers packages tailored to meet the needs of residential subscribers with varying levels of included long distance and calling features. Similar to the residential packages, Shaw offers a variety of Shaw Business products for home based or smaller businesses including managed and hosted private branch exchanges ("PBX") and a primary rate interface ("PRI") service for medium and larger businesses.

Shaw Digital Phone utilizes DOCSIS technology similar to the Company's Internet service. Customers' existing phone lines are connected into modems usually installed at the location of the central wiring in the customers' premises. The modem converts the voice conversation into digital IP packets that are carried to an IP-based telephone switch. At this point, the packets are transformed again into traditional telephone signals for connection to the public switched telephone network or may be routed through the IP network to the called party.

Shaw Business

Using the Company's national and regional fibre network, Shaw Business provides services to small and medium size business, Internet Service Providers ("ISPs"), cable companies, broadcasters, governments and other organizations that require end-to-end Internet, data and voice connectivity. Shaw Business is also a major account and wholesale provider offering third parties advanced high speed data connectivity and Internet services in Canada and the United States. Its offerings currently include data, voice and video transport and Internet connectivity services. It also continues to establish public and private peering arrangements with high speed connections to major North American, European and Asian network access points and other tier-one backbone carriers.

In 2013, Shaw completed the acquisition of ENMAX Envision Inc. ("Envision"), a company providing leading telecommunication services to Calgary business customers, for approximately $225 million, excluding working capital adjustments. The transaction expanded Shaw's Business initiatives in Calgary and significantly enhanced the profile of Shaw Business in the competitive Calgary marketplace.

The Shaw Business network includes multiple fibre capacity on two diverse cross-North America routes. The Company's southern route principally consists of approximately 6,400 route kilometres (4,000 miles) of fibre located on routes between Vancouver (via Calgary, Winnipeg, Chicago, Toronto and Buffalo) and New York City. The northern route consists of approximately 4,000 route kilometres (2,500 miles) of fibre between Edmonton (via Saskatoon, Winnipeg and Thunder Bay) and Toronto. These routes, along with a number of secured capacity routes, provide redundancy for the network. Shaw Business also utilizes a marine route consisting of approximately 330 route kilometres (200 miles) located on two fibres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including Vancouver and Calgary, Vancouver and San Jose, Toronto and New York City, Seattle and Vancouver and Edmonton and Toronto.

(ii) *Satellite*

Shaw's Satellite operations own and lease, directly and indirectly, satellite transponders that receive and amplify digital signals and transmit them to receiving dishes located within the footprint covered by the satellite. Shaw Direct and Satellite Services businesses share the satellite infrastructure distributing digital video and audio signals to different markets (residential and business), thereby allowing the Company to derive distinct revenue streams from different customers using a common platform.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

Satellite's interest in these transponders is set forth in the table below.

Satellite	Transponders	Nature of Satellite Interest
Anik G1	16 xKu-band	Leased
Anik F2	16 Ku-band	Owned
	6 Ku-band	Leased
	2 Ku-band (partial)	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased
Intelsat Galaxy 16	1 Ku-band (partial)	Leased

A more detailed description of each of the principal operations comprising the Company's Satellite segment is set forth below.

Shaw Direct

Shaw Direct is one of three DTH satellite operators licensed by the Canadian Radio-television Telecommunications Commission (the "CRTC" or "Commission") to deliver digital subscription video and audio programming services from satellites directly to subscribers' homes and businesses. Shaw Direct began its national roll-out of digital DTH services in 1997 and as at August 31, 2014 had approximately 880,000 subscribers.

The market for Shaw Direct's digital DTH services can be divided into three principal categories: households not served by cable and typically having access to a limited number of broadcast services; households underserved by cable (i.e. served by cable systems that offer fewer than 80 channels); and households that receive full service cable (80 or more channels), primarily in urban areas. Other potential customers include commercial, institutional and recreational facilities interested in video and audio programming. Shaw Direct subscribers have the option of choosing from a menu of programming packages designed to target and accommodate subscriber interests, primary language, income level and type of household. Such packages are marketed through Shaw Direct and a nation-wide distribution network of third party retail locations.

With the launch of Anik G1 in 2013, Shaw Direct's satellite television services capacity expanded by approximately 30 percent through the long term lease of 16 national transponders. The new transponders provide bandwidth for expanded subscriber choice, including new HD channels and other advanced services. The additional transponders also provide enhanced service quality, acting as important in-orbit back-up capacity. Shaw Direct continues to transition to advanced modulation and encoding technology, including MPEG-4, for its programming allowing it to increase its channel capacity.

With three satellites (Anik F2, Anik F1R and Anik G1) whose signals are received by subscribers through an elliptical dish, Shaw Direct offers over 650 digital video and audio channels, including over 220 HD channels. Shaw Direct's programming line-up offers the majority of television services that are available in Canada, including local over-the-air broadcasters, national networks, specialty channels, U.S. and foreign channels, adult programming and ethnic services. In addition, Shaw Direct offers a streaming VOD service through the satellite receiver. Shaw Direct's VOD service provides customers with access to over 10,000 movie and TV titles and series. Shaw Go services are also available to Shaw Direct subscribers, which allows customers streaming access to TV shows, sporting events and movies on popular mobile devices, including WiFi enabled tablets and smartphones, and currently offers more than 10 services including Global Go, HISTORY Go, CTV Go and various childrens, sports, movie and other entertainment programming.

Satellite Services

Satellite Services operations include two primary businesses, Shaw Broadcast Services and Shaw Tracking.

Shaw Broadcast Services redistributes television and radio signals via satellite to cable operators and other multi-channel system operators in Canada and the U.S., referred to as a satellite relay distribution undertaking ("SRDU"), and provides uplink and network management services for conventional and specialty broadcasters on a contract basis.

Shaw Broadcast Services currently provides SRDU and signal transport services to over 350 distribution undertakings, primarily cable operators, and redistributes approximately 500 television signals and over 100 audio signals in both English and French to multi-channel system operators. Shaw Broadcast Services also offers HITS/QT and QT Plus (Headend In the Sky/Quick Take), which allow small and medium size cable companies to offer digital signals to subscribers with a substantially reduced capital outlay. HITS/QT and QT Plus facilitate increased availability and penetration of digital services in Canada and add incremental revenues to Shaw Broadcast Services from the additional services provided to smaller cable companies.

Shaw Broadcast Services' uplink and network management services include backhaul (transport of signals to the uplink site), uplink (delivery of signal to the satellite so that it can be distributed to cable operators and other distributors), bandwidth, authorization and signal monitoring. Shaw Broadcast Services currently provides such services to over 130 specialty and pay broadcasters across Canada, as well as to Canadian pay audio providers.

Shaw Tracking provides asset tracking and communication services to approximately 600 companies in the transportation industry in Canada, with approximately 45,000 vehicles using its services. Shaw Tracking's services capture all related information pertaining to an asset (i.e. location, performance and productivity measures) and effectively integrate into a carrier's fleet management system. Via satellite, cellular, WiFi and Bluetooth networks, Shaw Tracking provides immediate real time visibility to a company's fleet and freight. Shaw's services and solutions target a wide variety of segments of transportation across Canada.

(iii) *Media*

Through a series of transactions in 2010 and 2011, Shaw acquired 100% of the broadcasting business of Canwest Global Communications Corp. ("Canwest") including CW Investments Co., the company that owned the specialty channels acquired from Alliance Atlantis Communications Inc. in 2007. The acquisition of Shaw's Media business included the Global Television Network ("Global") and a leading portfolio of Specialty services. Technology is driving change in the Canadian Broadcasting system, transforming content distribution and viewership. This strategic acquisition allows Shaw to unite broadcasting services and content with its advanced distribution platforms to offer customers strong choices in this rapidly evolving landscape.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

The Canadian television broadcasting market is comprised of a number of English, French, and third language stations and services that operate in different segments of the market. The "Conventional" broadcast sector includes government owned public networks, such as the Canadian Broadcasting Corporation ("CBC"), as well as privately owned station groups and networks, such as Global and the CTV Television Network ("CTV" owned by BCE Inc.). The "Specialty and Pay" sector includes Specialty television services, such as Showcase, History, and HGTV Canada (all owned by Shaw), TSN (owned by BCE Inc.), and Sportsnet (owned by Rogers), which provide special interest programming including news, sports, arts, lifestyle and entertainment programming.

Global reaches approximately 95% of Canada's population through 12 over-the-air ("OTA") conventional television stations. Global offers a programming mix of entertainment programs and news that includes hit programs such as The Blacklist, Sleepy Hollow, Bones, NCIS, NCIS:LA, Hawaii Five-O, Rookie Blue, Elementary and the reality series Survivor, Big Brother and Big Brother Canada. Global offers news through its early-evening network newscast Global National and delivers local news programs to a number of markets. Global expanded its news line-up in 2012 and 2013 with the launch of morning news programming in Toronto, Regina, Saskatoon, Winnipeg, Montreal and Halifax, and continues to focus on on-line and mobile platforms to reach its audiences.

The Specialty television services owned and operated by the Media division comprise 19 channels, including History, Food Network Canada, Showcase, HGTV Canada, Slice and National Geographic Canada. In 2014 Media announced the rebranding of two existing channels to FYI and Crime + Investigation which took place early in fiscal 2015. In 2013 Media launched Global News: BC1, a dedicated 24 hour all news Specialty channel in the province of British Columbia and acquired the remaining equity interest in TVtropolis (subsequently rebranded DTOUR). During 2013 Media also entered into a number of transactions with Corus Entertainment Inc. ("Corus") to optimize its portfolio of specialty channels, agreeing to sell its interests in ABC Spark and Historia and Series+ and to acquire an additional 20% interest in Food Network Canada. The ABC Spark and Food Network Canada transactions were completed during 2013 and the Historia and Series+ transaction closed in 2014.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

The following table sets forth all of the Specialty services in which the Company holds an interest:

Specialty Services Operated	% Equity Interest
Showcase	100%
Slice	100%
History	100%
H2	100%
HGTV Canada(1)	67%
Food Network Canada(1)	71%
Action	100%
Lifetime	100%
National Geographic Canada(2)	50%
National Geographic Canada Wild(2)	50%
BBC Canada(2)	50%
FYI	100%
IFC Canada	100%
DIY(1)	67%
DTOUR	100%
MovieTime	100%
DejaView	100%
Crime + Investigation	100%
Global News: BC1	100%

(1) Voting interest is 80.2%
(2) Voting interest is 80%

To meet the changing needs of its Conventional and Specialty viewing audiences, Media also commenced the roll out of its TV Everywhere strategy in 2014 with the launch of Global Go and HISTORY Go apps. These apps allow viewers to watch live TV, full episodes of select shows, clips and video exclusives on popular mobile devices, including WiFi enabled tablets and smartphones.

Late in fiscal 2014, Shaw Media partnered with Rogers to form shomi, a new SVOD/OTT service having the latest most exclusive programming and selections personalized for viewers. The service launched in beta in early November 2014.

C. Seasonality and other additional information concerning the business

(a) Seasonality and customer dependency

Although financial results of the Cable and Satellite business segments are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and varying levels of promotional activity undertaken by the Company. Shaw's Cable and Satellite businesses generally are not dependent upon any single customer or upon a few customers.

The Media business segment financial results are subject to fluctuations throughout the year due to, among other things, seasonal advertising and viewing patterns. In general, advertising revenues are higher during the fall, the first quarter, and lower during the summer months, the fourth quarter. Expenses are incurred more evenly throughout the year. The Specialty services are dependent on a small number of broadcast distribution undertakings ("BDUs") for distribution of the services.

(b) Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per-item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

(c) Foreign operations

Shaw Business U.S. Inc., a wholly-owned subsidiary of the Company, has entered into an indefeasible right of use ("IRU") with respect to a portion of a United States fibre network and owns certain other fibre and facilities in the United States. Shaw Business U.S. Inc. commenced revenue-generating operations in the United States in 2002. Its revenues for the year ended August 31, 2014 were not material.

In September 2014, the Company closed the acquisition of 100% of the shares of ViaWest, a US-based provider of data centre infrastructure, cloud technology and managed IT solutions, for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt, and a drawdown of US $330 million on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada. ViaWest is headquartered in Denver, Colorado and has 27 data centres in 8 key Western US markets.

(d) Employees

As at August 31, 2014, the Company employed approximately 14,000 people.

D. Government regulations and regulatory developments

Substantially all of the Corporation's business activities are subject to regulations and policies established under various Acts (*Broadcasting Act (Canada)* ("Broadcasting Act"), *Telecommunications Act (Canada)* ("Telecommunications Act"), *Radiocommunication Act (Canada)* ("Radiocommunication Act") and *Copyright Act (Canada)* ("Copyright Act")). Broadcasting and telecommunications are generally administered by the CRTC under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and Department of Industry ("Industry Canada"), respectively.

Pursuant to the Broadcasting Act, the CRTC is mandated to supervise and regulate all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires BDUs to give priority to the carriage of Canadian services and to provide efficient delivery of programming services. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. Shaw's businesses are dependent upon licenses (or operate pursuant to an exemption order) granted and issued by the CRTC and Industry Canada.

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable telecommunication services of high-quality. The CRTC has the authority to forbear from regulating certain services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for that service to protect the interests of users. All of Shaw's telecommunication retail services have been forborne from regulation and are not subject to price regulation. However, regulations do impact certain terms and conditions under which these services are provided. On October 23, 2014, the Government tabled Bill C-43 which amends the Telecommunications Act to grant the CRTC powers to impose administrative monetary penalties of up to $10 million for each contravention of the Telecommunications Act or any regulation or CRTC decision pursuant to the Telecommunications Act, and up to $15 million for each subsequent contravention.

The technical operating aspects of the Corporation's businesses are also regulated by technical requirements and performance standards established by Industry Canada, primarily under the Telecommunications Act and the Radiocommunication Act.

Pursuant to the Copyright Act, the Copyright Board of Canada oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services.

The sections below include a more detailed discussion of various regulatory matters and recent developments specific to Shaw's businesses.

Licensing and ownership

For each of its cable, DTH and SRDU undertakings, the Corporation holds a separate broadcasting license or is exempt from licensing. In November 2010, the majority of cable undertakings owned and operated by the Corporation were renewed by the CRTC for a five-year period ending August 31, 2015. Shaw's cable licenses for its undertakings serving British Columbia, Alberta, Saskatchewan and Manitoba are scheduled for renewal in 2015. The licenses of the Corporation's DTH and SRDU undertakings were renewed in 2013 by the CRTC for a seven year period ending August 31, 2019. Shaw has never failed to obtain a license renewal for its cable, DTH or SRDU undertakings.

The Company also holds a separate license for each of its conventional OTA television stations and each specialty service. These CRTC broadcasting licenses must be renewed from time to time and cannot be transferred without regulatory approval. The majority of the Corporation's licenses for its OTA television stations and specialty services were renewed for a five-year term ending August 31, 2016. The renewal decision implemented an expenditure-based regulatory regime, whereby the Corporation must expend a certain percentage of its prior-year revenues from its conventional OTA and specialty services on Canadian content, and also on specific categories of Canadian programs defined as "programs of national interest". These obligations are imposed on an individual license basis. With certain restrictions, the Corporation may share these regulatory obligations between and among its various conventional OTA and specialty licenses.

The potential for new or increased fees through regulation

Effective September 1, 2009, each licensed BDU was required to contribute 1.5% of its gross revenues derived from broadcasting to the Local Programming Improvement Fund ("LPIF") to support local television stations operating in non-metropolitan markets. Exempt systems were not required to contribute to the LPIF. In July 2012, the Commission determined that it was inappropriate to maintain the LPIF in the long term and that it would phase out the LPIF over the two subsequent broadcast years. Accordingly, for the 2012-2013 broadcast year, the LPIF contribution rate was reduced from 1.5% to 1.0%. For the 2013-2014 broadcast year, the LPIF contribution rate was further reduced to 0.5%. As of September 2014, the LPIF was discontinued.

In 2011, pursuant to a change in its policy regarding the delivery of distant signals by licensed BDUs, the CRTC introduced new Regulations requiring licensed cable BDUs to obtain the consent of an OTA broadcaster to deliver its signal in a distant market. Pursuant to the Regulations, DTH distribution undertakings may distribute a local over-the-air television signal without consent within the province of origin, but must obtain permission to deliver the over-the-air television signal beyond the province of origin unless the DTH distribution undertaking is required to carry the signal on its basic service. Broadcasters may assert a right to remuneration for the distribution of their signals in distant markets on the basis of these Regulations.

Throne Speech and Government Direction

The Speech from the Throne, delivered on October 16, 2013 included a statement indicating that the Government believes Canadians should have more ability to choose unbundled television channels, while protecting Canadian jobs. On November 14, the Minister of Canadian Heritage released an Order-in-Council ("OIC") requiring the CRTC to report to the Government by April 30, 2014 on how the ability of Canadian consumers to subscribe to pay and specialty television services on a service-by-service basis can be maximized, having regard to the broadcasting and regulatory objectives of the Broadcasting Act as well as specific issues including the effect of any proposed measures on: consumers with respect to their affordable access to a variety of services, distribution undertakings, Canadian pay and specialty services and Canadian independent producers. In addition, the OIC made it clear that any proposed measures to maximize consumers' ability to subscribe service-by-service ensure that the majority of programming services received by subscribers remain Canadian and that Canadian programming services, particularly local Canadian stations, continue to be given priority. The CRTC responded to the OIC by reporting that it would reach conclusions on the Government's questions in the decision rendered pursuant to a proceeding initially referred to as "a conversation with Canadians" and later commonly referred to as "Let's Talk TV". This proceeding is described below in more detail. Together, the Government's articulated position and the CRTC decision pursuant to the "Let's Talk TV" hearing could lead to changes in the regulatory requirements applicable to television programming and broadcasting distribution undertakings and, in particular, those pertaining to the manner in which the basic service, as well as packaging and standalone programming service options, are offered to customers.

CRTC Hearing on the Future of Television – Let's Talk TV

As noted above, on October 24, 2013, the Commission initiated a "conversation with Canadians about the future of television", which led to a major review of the regulatory and policy framework for the Canadian television broadcasting system, during the course of calendar 2014. This proceeding became commonly known as the "Let's Talk TV" proceeding. The Commission's proposals include: a mandatory all-Canadian small basic service; a requirement to allow subscribers to select all discretionary services on a standalone (pick-and-pay) basis and build their own custom packages of discretionary programming services (BDUs could still offer pre-assembled packages); elimination of simultaneous substitution; expansion of the *Code of conduct for commercial arrangements and interactions* to prohibit unreasonable penetration-based rate cards, requirements to distribute a service on the same terms as at a prior date, and most favored nation provisions; access provisions for non-vertically integrated programming services; redefining broadcasting revenues of licensees to include revenues from programming offered online or on other exempt platforms; modifying expenditure and exhibition requirements for licensed television stations and specialty and pay services; eliminating genre exclusivity and access rights for Category A pay and specialty services; and, introducing a BDU Code that would govern the relationship between BDUs and their subscribers, consistent with applicable provisions of the Wireless Code such as contract clarity, notice of changes to contract terms, and cancellation fees. The proposed regulatory framework would come into force on December 15, 2015. The Commission's decision is expected late in calendar 2014. While the outcome of the hearing (including the scope and implementation period for each proposal) is uncertain, this review could lead to changes in the regulatory requirements applicable to television programming and broadcasting distribution undertakings.

Access rights

Shaw's cable systems require access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Following a 2010 decision by the CRTC to significantly increase certain support structure rental rates, the CRTC approved in July 2011 a new charge for the Corporation's attachments to the service poles of telecommunications carriers equal to the normal pole charge.

Under the Telecommunications Act, the Corporation may construct facilities in roadways and other public places with the consent of the municipality. In 2011, the CRTC initiated a process whereby a working group of industry and municipal representatives developed a non-binding model municipal access agreement. In November 2013, the CRTC approved the consensus recommendations of the working group for the model agreement and determined that certain non-consensus items, including indemnification, fees, and relocation costs, are to be negotiated between a carrier and a municipality.

New media and Internet

In June 2009 the CRTC issued its decision on "new media" by extending its exemption of new media broadcasting undertakings for another five years. This exemption order was amended in 2012 and renamed the *Exemption Order for Digital Media Broadcasting Undertakings*. The amended exemption order includes, *inter alia*, a reverse onus of proof in cases where it is alleged that an exempt undertaking has conferred an undue preference or disadvantage, and a prohibition on exempt undertakings offering television programming on an exclusive or preferential basis in a manner that depends upon the subscription to a specific mobile or retail internet access service.

Pursuant to the above-noted exemption order, the CRTC also decided against imposing any regulatory measures, including financial contribution requirements on ISPs, to support Canadian new media content through a levy on the revenue of exempt digital media undertakings. The CRTC is now considering, in the context of the Let's Talk TV proceeding, whether to redefine the broadcasting revenues of licensees to include revenues from programming offered online or on other exempt platform. A decision in the Let's Talk TV proceeding is expected late in calendar 2014.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

Shaw is mandated by the CRTC to provide Third Party Internet Access ("TPIA") service, which enables independent ISPs to provide Internet services at premises served by Shaw's network. In 2011, the CRTC reviewed the billing model for TPIA services, TPIA rates and whether usage based billing may be applied to TPIA services. In the decision that followed its review (the "Wholesale Internet Access Decision"), the CRTC approved two billing models, a flat-rate model in which the TPIA rate includes access and usage and a capacity-based model in which access and capacity usage are billed separately. Shaw is currently approved to provide TPIA service under the flat-rate model although Shaw may elect to move to a capacity-based model in the future. The CRTC is currently reviewing the regulatory regime for several wholesale competitor services, including TPIA, through a public consultation that launched in October 2013 and will culminate in a public hearing starting in late November 2014.

In September 2013, a consortium of independent ISPs filed an application with the CRTC requesting changes to the TPIA service. If the CRTC mandates the changes to TPIA as requested in the application, this would require Shaw to dedicate additional resources to address specific service order processing, IT system and billing system changes.

In late 2010 Parliament passed Canada's anti-spam legislation ("CASL"), which, together with regulations passed pursuant to CASL, sets out a comprehensive regulatory regime regarding on-line commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. The first phase of CASL, pertaining to the sending of commercial electronic messages, came into force in July 2014. To ensure compliance with CASL, Shaw reviewed and updated its current practices with respect to marketing and other communications with customers. Computer program installation provisions of CASL will come into effect on January 15, 2015. Shaw is reviewing and updating its practices regarding computer program installations in order to comply.

Shaw and other telecommunications providers had expected that they would need to review and potentially upgrade their interception and other systems to comply with anticipated lawful access requirements. In February 2013, the Government announced that it would not be proceeding with its planned lawful access legislation, Bill C-30, *An Act to enact the Investigating and Preventing Criminal Electronic Communications Act* (the "Bill") and related plan to amend the *Criminal Code* and other Acts. The Government indicated that its decision not to proceed was in response to the expressed concerns of Canadians regarding the Bill. The legislation would have required telecommunications service providers to provide subscriber information without a warrant and for ISPs to establish and maintain capabilities to facilitate the lawful interception of information transmitted by telecommunications and to provide information about subscribers to law enforcement agencies.

In November 2013 the Government introduced Bill C-13, *An Act to amend the Criminal Code, the Canada Evidence Act, the Competition Act and the Mutual Legal Assistance in Criminal Matters Act* (the "Bill C-13") which would, if passed, expand the lawful access powers of the Government and introduce new requirements for telecommunications providers to preserve and produce subscriber information. Consistent with the Government's decision not to proceed with Bill C-30, almost all of the newly proposed measures under Bill C-13 are subject to judicial oversight and do not require the provision of information without a warrant or discharge of a burden of proof. However, should the requirements of Bill C-13 become law, Shaw and other telecommunications providers will need to review and potentially upgrade their interception and other systems to comply with new lawful access requirements.

In its 3 Year Work Plan, the CRTC has scheduled reviews of Competitor Quality of Service and Basic Telecommunications Services, each of which may have a direct impact on Shaw's operations. With respect to Competitor Quality of Service, the CRTC will undertake a process to review the competitor quality of service indicators and the rate rebate plan for competitors to ensure alignment with the overall wholesale services framework which is currently under review. With respect to Basic Telecommunication Services, the CRTC will initiate a comprehensive review to determine what services (e.g. voice and broadband) are required by all Canadians to fully participate in the digital economy and whether there should be changes to the subsidy regime and national contribution mechanism.

Digital transition

In July 2009 the CRTC identified the major markets where it expected conventional television broadcasters to convert their full-power OTA analog transmitters to digital transmitters by August 31, 2011. The conversion from analog to digital freed up spectrum for government auction.

The Corporation completed the digital transition in all mandatory markets as of August 31, 2011. Since then, the Corporation has been converting transmitters in non-mandatory markets and expects to complete these conversions in 2016.

Vertical integration

The Commission recognizes that vertical integration can be beneficial and that it also has potential to enable preferential treatment. In view of increasing industry consolidation and vertical integration, the CRTC issued a vertical integration policy in September 2011. The policy introduced new safeguards in addition to various regulatory mechanisms that already exist, including a prohibition on vertically integrated undertakings from offering television programming on an exclusive or otherwise preferential basis in a manner that is dependent on the subscription to a specific mobile or retail Internet access service, and a reverse onus of proof in cases where undue preference is alleged in connection with the terms of distribution of any programming service. Measures also include a code of conduct governing commercial relations and interactions between and among broadcast distributors, programmers and new media undertakings, and a standstill requirement prohibiting a distribution undertaking from changing the terms of distribution or carriage pending the resolution of a dispute.

The CRTC imposed certain parts of the code as conditions of license upon BCE in its recent acquisition of Astral Media Inc. Uncertainty remains as to the extent to which the CRTC will seek to impose such conditions of licence and the ultimate impact of the CRTC decision introducing the new safeguards and to formalize code of conduct requirements as conditions of license. The code of conduct is applied on a case-by-case basis when disputes arise and may be revised pursuant to the Let's Talk TV proceeding discussed above. Existing or new safeguards could have an impact on the Corporation.

Limits on non-Canadian ownership and control for broadcasting undertakings

Non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of the licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. Neither the holding company nor the licensee may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC.

The same restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act and associated regulations and the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian. In March 2012, the government announced its intention to amend the Telecommunications Act to remove Canadian ownership requirements for wire-line and wireless telecommunications carriers with annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues, as determined by the CRTC. These amendments were passed as part of the federal budget bill in June 2012 and may lead to greater levels of competition in the Canadian telecommunications market.

The Corporation's Articles contain measures to ensure the Corporation is able to remain compliant with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

AWS spectrum transfers

On June 28, 2013 the Minister of Industry announced a new framework for the review of spectrum license transfers. Under the new framework, all spectrum transfer reviews, including the review of the proposed transfer of Shaw's AWS spectrum to Rogers, will include consideration of a number of factors, including the overall distribution of license holdings in the licensed spectrum band and other commercial mobile spectrum bands in the licensed area, the relative utility and substitutability of the licensed spectrum and the change in spectrum concentration levels that would result from the transfer. The reviews by Industry Canada and the Competition Bureau of the proposed transfer of Shaw's AWS spectrum to Rogers are ongoing.

E. Key performance drivers

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES:

i) Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

ii) Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before one-time items like restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

Relative increases period-over-period in operating income before restructuring costs and amortization and in operating margin are indicative of the Company's success in delivering valued products and services, and engaging programming content to its customers in a cost-effective manner.

	Year ended August 31,	
($ millions Cdn)	**2014**	**2013**
Operating income	**1,439**	1,366
Add back (deduct):		
Restructuring costs	**58**	–
Amortization:		
Deferred equipment revenue	**(69)**	(121)
Deferred equipment costs	**142**	257
Property, plant and equipment, intangibles and other	**692**	718
Operating income before restructuring costs and amortization	**2,262**	2,220

iii) Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

iv) Free cash flow

The Company uses free cash flow as a measure of the Company's ability to repay debt and return cash to shareholders. Consolidated free cash flow is calculated as follows:

($millions Cdn)	Year ended August 31, 2014	2013	Change %
Revenue			
Cable	**3,365**	3,266	3.0
Satellite	**878**	860	2.1
Media	**1,096**	1,106	(0.9)
	5,339	5,232	2.0
Intersegment eliminations	**(98)**	(90)	8.9
	5,241	5,142	1.9
Operating income before restructuring costs and amortization[1]			
Cable	**1,632**	1,582	3.2
Satellite	**277**	285	(2.8)
Media	**353**	353	–
	2,262	2,220	1.9
Capital expenditures and equipment costs (net):			
Cable	**988**	867	14.0
Accelerated capital fund investment[1]	**(240)**	(110)	>100.0
Adjusted Cable	**748**	757	(1.2)
Satellite	**89**	123	(27.6)
Media	**18**	31	(41.9)
Total	**855**	911	(6.1)
Free cash flow before the following	**1,407**	1,309	7.5
Less			
Interest	**(264)**	(308)	(14.3)
Cash taxes	**(359)**	(300)	19.7
Other adjustments:			
Non-cash share-based compensation	**3**	5	(40.0)
CRTC benefit obligation funding	**(58)**	(52)	11.5
Non-controlling interests	**(31)**	(39)	(20.5)
Pension adjustment	**(5)**	12	>100.0
Customer equipment financing	**18**	(10)	>100.0
Preferred share dividends	**(13)**	(13)	–
Free cash flow	**698**	604	15.6
Operating margin[1]			
Cable	**48.5%**	48.4%	0.1
Satellite	**31.5%**	33.1%	(1.6)
Media	**32.2%**	31.9%	0.3

(1) See key performance drivers on page 21.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

Free cash flow is calculated as operating income before restructuring costs and amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions and adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), adjusted to exclude share-based compensation expense, less cash amounts associated with funding the new and assumed CRTC benefit obligations related to the acquisition of Shaw Media as well as excluding non-controlling interest amounts that are consolidated in the operating income before restructuring costs and amortization, capital expenditure and cash tax amounts. Free cash flow also includes changes in receivable related balances with respect to customer equipment financing transactions as a cash item, and is adjusted for recurring cash funding of pension amounts net of pension expense. Dividends paid on the Company's Cumulative Redeemable Rate Reset Preferred Shares are also deducted.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow including operating income before restructuring costs and amortization, capital expenditures (on an accrual basis net of proceeds on capital dispositions) and equipment costs (net), CRTC benefit obligation funding, and non-controlling interest amounts continue to be reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

For free cash flow purposes the Company considers the initial $300 million supplemental executive retirement plan funding in the prior year to be a financing transaction and has not included the amount funded or the related cash tax recovery in the free cash flow calculation.

v) Accelerated capital fund

During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from several strategic transactions. The accelerated capital initiatives are being funded through this fund and not cash generated from operations. Key investments include the completion of the Calgary internal data centre, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the WiFi network, and additional innovative product offerings related to Shaw Go and other applications to provide an enhanced customer experience. Details on the accelerated capital fund and investment are as follows:

Estimated year of spend ($millions Cdn)	2013	2014	2015	Total
Fund Opening Balance	**110**	**240**	**150**	**500**
Accelerated capital investment	**110**	**240**	**–**	**350**
Fund Closing Balance, August 31, 2014	**–**	**–**	**150**	**150**

STATISTICAL MEASURES:

Subscriber counts (or Revenue Generating Units ("RGUs")), including penetration and bundled customers

The Company measures the count of its customers in Cable and DTH (Shaw Direct). Video cable subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Internet customers include all modems on billing and Digital Phone lines includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Shaw Direct measures its count of subscribers in the same manner as Cable counts its Video customers, except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection.

RGUs represent the number of products sold to customers and includes Video (Cable and DTH subscribers), Internet customers, and Digital Phone lines. As at August 31, 2014 the Company had approximately 6.1 million RGUs.

Subscriber counts, or RGUs, and penetration statistics measure market share and also indicate the success of bundling and pricing strategies.

F. Critical accounting policies and estimates

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

i) Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses.

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

With Shaw Media, subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are aired or displayed on the Company's digital properties and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values.

Subscriber connection fee revenue
Connection fees have no stand alone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are

earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs
The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Customer premise equipment revenue and costs
Customer premise equipment available for sale, which generally includes DCT and DTH equipment, has no stand alone value to the customer separate and independent of the Company providing additional subscription services. Therefore the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Tracking equipment revenue and costs
Shaw Tracking equipment revenue is recognized over the period of the related service contract for airtime, which is generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurs incremental direct costs including equipment costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Shaw Business installation revenue and expenses
The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Income statement classification
The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

ii) Allowance for doubtful accounts
The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

iii) Property, plant and equipment and other intangibles – capitalization of direct labour and overhead
The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. Corporate departments such as engineering and information technology ("IT"): Engineering is primarily involved in overall planning and development of the cable/ Internet/Digital Phone infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. The IT department devotes considerable efforts towards the development of systems to support Digital Phone, WiFi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Digital Phone infrastructure: Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity for Internet, Digital Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity, including the DNU project, and the WiFi build.
3. Subscriber-related activities such as installation of new drops and Internet and Digital Phone services: The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

iv) Amortization policies and useful lives
The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

v) Intangibles
The excess of the cost of acquiring cable and satellite and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist primarily of amounts allocated to broadcast rights and licenses which represent identifiable assets with indefinite useful lives.

Broadcast rights and licenses in the cable and satellite businesses are comprised of broadcast authorities including licenses and exemptions from licensing that allow access to homes and subscribers in a specific area that are identified on a business combination with respect to the acquisition of shares or assets of a BDU.

Broadcast licenses in the media business are licenses to operate conventional and specialty services that are identified on a business combination with respect to the acquisition of shares or assets of a broadcasting undertaking.

The Company has concluded that the broadcast rights and licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent the Company's license renewals or limit the period over which these assets will contribute to the Company's cash flows. Goodwill and broadcast rights and licenses are not amortized but are assessed for impairment on an annual basis in accordance with IAS 36 "Impairment".

The Company also owns AWS licenses that are required to operate a wireless system in Canada. The AWS licenses have indefinite lives and are subject to an annual review for impairment by comparing the estimated fair value to the carrying amount. In late 2011 Shaw decided not to pursue a conventional wireless build. In 2013 the Company entered into an agreement with Rogers granting Rogers an option to acquire its wireless spectrum licenses. The potential option exercise for the sale of the wireless spectrum licenses is subject to various regulatory approvals.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses.

Other intangibles include software that is not an integral part of the related hardware, customer relationships as well as a trademark and brands. Software is amortized on a straight-line basis over their estimated useful lives ranging from three to ten years. Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over the estimated useful life of 15 years.

vi) Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are consistent with its reporting segments, Cable, Satellite and Media. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

vii) Employee benefit plans

As at August 31, 2014, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives and various registered defined benefit plans for certain unionized and non-unionized employees. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

	Accrued Benefit Obligation at End of Fiscal 2014	Pension Expense Fiscal 2014
Weighted Average Discount Rate – Non-registered Plans	4.00%	4.75%
Weighted Average Discount Rate – Registered Plans	4.09%	4.84%
Impact of: 1% decrease *($millions)* – Non-registered Plans	$ 85	$ 4
Impact of: 1% decrease *($millions)* – Registered Plans	$ 31	$ 2

viii) Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

ix) Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees, program rights and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

G. Related party transactions

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During the year, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. In addition, the Company provided Corus with television advertising spots in return for radio and television advertising.

During 2013, the Company entered into a number of transactions with Corus to optimize its portfolio of specialty channels. Shaw agreed to sell to Corus its 49% interest in ABC Spark and 50% interest in its two French-language channels, Historia and Series+. In addition, Corus agreed to sell to Shaw its 20% interest in Food Network Canada. The ABC Spark and Food Network Canada transactions closed during 2013 while Historia and Series+ closed in fiscal 2014.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership. During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations.

Specialty channels

The Company previously held interests in a number of specialty television channels which were either subject to joint control or significant influence, including Historia and Series+. During the current year the Company paid network fees to these channels.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

H. New accounting standards

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

The Company adopted the following standards and amendments effective September 1, 2013:

Adoption of recent accounting pronouncements

The adoption of the following standards and amendments effective September 1, 2013 had no impact on the Company's consolidated financial statements other than additional disclosure requirements.

- IFRS 10 *Consolidated Financial Statements* replaces previous consolidation guidance and outlines a single consolidation model that identifies control as the basis for consolidation of all types of entities.
- IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard classifies joint arrangements as either joint operations or joint ventures.
- IFRS 12 *Disclosure of Interests in Other Entities* sets out required disclosures on application of IFRS 10, IFRS 11 and IAS 28 (amended 2011).
- IAS 27 *Separate Financial Statements* was amended in 2011 for the issuance of IFRS 10 and retains the same guidance for separate financial statements.
- IAS 28 *Investments in Associates* was amended in 2011 for changes based on issuance of IFRS 10 and IFRS 11 and provides guidance on accounting for joint ventures, as defined by IFRS 11, using the equity method.
- IFRS 13 *Fair Value Measurement* defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure of fair value measurements.

The Company has elected to early adopt the amendments to IAS 36 *Impairment of Assets* for the year ended August 31, 2014. The amendments limit the requirement to disclose the recoverable amount to assets (including goodwill) for which an impairment loss was recognized or reversed in the period, instead of the recoverable amount for each CGU to which significant goodwill or indefinite-life intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRIC 21 *Levies* provides guidance on when to recognize a financial liability imposed by a government, if the levy is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or where the timing and amount of the levy is certain. This interpretation is effective for the annual period commencing September 1, 2014 and is not expected to have an impact on the Company's financial statements.
- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2017.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

Change in accounting estimates

During the current year, the Company reviewed the useful lives of its property, plant and equipment as well as the amortization period for amounts deferred under multiple element arrangements, including equipment revenue and associated equipment costs and connection fees. The review resulted in changes in the amortization period for amounts deferred under multiple element arrangements and estimated useful lives of certain assets effective September 1, 2013. As a result, cable and telecommunication distribution system assets are amortized on a straight-line basis over 5 to 20 years, and digital cable terminals and modems on a straight-line basis over 2 to 5 years. The amortization period for amounts deferred and amortized on a straight-line basis under multiple element arrangements is 3 years. The impact of the changes has been accounted for prospectively. The changes in estimates in respect of unamortized balances at August 31, 2013 resulted in decreases to revenue and amortization as summarized below.

($millions Cdn)	Year ended August 31, 2014
Revenue	3
Amortization	
Deferred equipment revenue	29
Deferred equipment costs	66
Property, plant and equipment, intangibles and other	63

I. Known events, trends, risks and uncertainties

The Company is subject to a number of risks and uncertainties which could have a material adverse effect on its future profitability. Included herein is a "Caution Concerning Forward-Looking Statements" section which should be read in conjunction with this report.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

The risks and uncertainties discussed below highlight the more important and relevant factors that could significantly affect the Company's operations. They do not represent an exhaustive list of all potential issues that could affect the financial results of the Company. The principal risks relate to:

- Competition, technological change and regulatory regime
- Economic conditions
- Interest rates, foreign exchange rates, and capital markets
- Litigation
- Uninsured risks of loss
- Reliance on suppliers
- Programming expenses
- Unionized labour
- Holding company structure
- Control of the Company by the Shaw family
- Information systems and internal business processes
- Dividend payments
- Acquisitions and other strategic transactions

i) Competition, technological change and regulatory regime

Cable and satellite providers and television broadcasters operate in an open and competitive marketplace. Shaw's businesses face competition from regulated and unregulated entities utilizing existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has reduced the traditional lines between telecommunications, Internet and broadcasting services and expands further the competitive landscape. Shaw may face competition in the future from other technologies being developed or yet to be developed. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology, programming and customer service, there can be no assurance that these investments will be sufficient to maintain Shaw's market share or performance in the future.

CABLE TELEVISION AND DTH

Shaw's cable television and DTH systems currently compete or may in the future compete with other distributors of video and audio signals, including other DTH satellite services, satellite master antenna systems, multipoint distribution systems ("MDS"), other competitive cable television undertakings and telephone companies offering video service. As noted above, Shaw also competes with unregulated internet services, illegal satellite services including grey and black market offerings, unregulated video services and offerings available over high-speed internet connections. Continued improvements in the quality of streaming video over the internet and the availability of television shows and movies online increases competition to Shaw's cable television and DTH businesses.

The Company expects that competition will continue to increase and there can be no assurance that such increased competition will not have a material adverse effect on Shaw's results of operations. The Company also expects increased IPTV competition across Canada with respect to its DTH Satellite services.

INTERNET

There are a number of different types of ISPs offering residential and business Internet services that compete or may compete in the future with Shaw's Internet services. These include independent service providers, ILECs, wireless providers, and electricity transmission and distribution companies.

High-speed Internet access services are principally provided through cable modem and digital subscriber line ("DSL") technology. Internet services through cable modem technology are primarily provided by cable companies, although the CRTC has also authorized third-party ISPs to access cable companies' facilities, such as Shaw's, to deliver high-speed Internet services.

Although operating in a competitive environment, Shaw expects that consumer demand for Internet access services and for bandwidth-intensive applications on the Internet (including streaming video, digital downloading and interactive gaming) will lead to continued demand for high-speed Internet services. Shaw continues to expand the capacity of its network to handle the anticipated increases in demand, however there can be no assurance that network capacity will continue to meet the increasing demand of its customers.

DIGITAL PHONE

The competitors of Shaw Digital Phone include ILECs, Competitive Local Exchange Carriers ("CLECs"), non-facilities-based Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of such competitors have larger operational and financial resources than the Corporation and are well established with residential customers in their respective markets. In addition, there is a continuing trend toward households opting to rely on wireless voice services in place of landline services such as Digital Phone. These developments may negatively affect the business and prospects of Shaw's Digital Phone.

INTERNET INFRASTRUCTURE

Through Shaw Business, Shaw competes with other telecommunications carriers in providing high-speed broadband communications services (data and video transport and Internet connectivity services) to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Competitors of Shaw Business include ILECs, competitive access providers, CLECs, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant competition.

SATELLITE SERVICES

In its Canadian SRDU business, Satellite Services faces competition principally from one other operating SRDU operator in Canada. In February 2010, another company was licensed by the CRTC to provide both DTH and SRDU services in Canada, but has not yet commenced service. Satellite Services also faces competition from the expansion of fibre distribution systems delivering distant US and Canadian conventional television signals into territories previously served only by SRDU operators.

MEDIA

The OTA and Specialty television business and the advertising markets in which they operate are highly competitive. Numerous broadcast and specialty television networks, as well as online advertising platforms and websites, compete for advertising revenues. The Company's ability to compete successfully depends on a number of factors, including its ability to secure popular

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

television programming rights for all platforms, including non-linear rights in addition to traditional linear broadcast rights, and achieve high distribution levels. The Company expects that competition will continue to increase and there can be no assurance that increased competition will not have a material adverse effect on Shaw's results of operations.

IMPACT OF REGULATION
As more fully discussed under Government regulations and regulatory developments, a majority of the Corporation's business activities are subject to regulations and policies administered by Industry Canada and/or the CRTC. The Corporation's operations and results are affected by changes in regulations, policies and decisions, including changes in interpretation of existing regulations by courts, the government or the regulators, in particular the CRTC, Industry Canada, the Competition Bureau and the Copyright Board. This regulation relates to, and may have an impact on, among other things, licensing, competition, programming carriage and terms of carriage, strategic transactions and the potential for new or increased fees. Changes in the regulatory regime may adversely affect the operations and performance of the Company.

ii) Economic conditions
Canada's economy is affected by uncertainty in global financial and equity markets and slowdowns in global economic growth. Advertising revenues are affected by prevailing economic conditions. Changes in economic conditions may affect discretionary consumer spending, resulting in increased or decreased demand for Shaw's product offerings as well as advertising airtime and rates. There can be no assurance that current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth will not have an adverse effect on the Company's business and operating results.

iii) Interest rates, foreign exchange rates and capital markets
Shaw has the following financial risks in its day-to-day operations:

(a) Interest rates: Due to the capital-intensive nature of Shaw's operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure include:

1. Banking facilities as more fully described in Note 13 to the Consolidated Financial Statements.
2. Various Canadian denominated senior notes and debentures with varying maturities issued in the public markets as more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are primarily fixed-rate obligations. If required, Shaw utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates could have a material adverse effect on the Company's cash flows.

As at August 31, 2014, 94% of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) Foreign exchange: In September 2014, the Company closed the acquisition of 100% of the shares of US-based ViaWest for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt, and a drawdown of US $330 million on the Company's credit facility. Shaw's net investment in ViaWest is exposed to foreign exchange risk related to fluctuations in exchange rates between the Canadian and US dollar. This risk is mitigated by the US dollar denominated debt which is designated as a hedge of the net investment.

Upon completion of the ViaWest acquisition in September 2014, a portion of the Company's revenues and operating expenses are incurred in US dollars. In addition certain of the Company's capital expenditures are incurred in US dollars. Fluctuations in the value of the Canadian dollar relative to the US dollar could have a material effect on the Company's business and operating results.

(c) Capital markets: The Company requires ongoing access to capital markets to support its operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may have a material adverse effect on the Company's ability to raise or refinance short-term or long-term debt, and thus on its financial position and ability to operate.

Shaw manages its exposure to floating interest rates through maintaining a balance of fixed and floating rate debt. To mitigate some of the foreign exchange uncertainty with respect to capital expenditures, the Company regularly enters into forward contracts in respect of US dollar commitments. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

iv) Litigation

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although management does not expect that the outcome of these matters will have a material adverse effect on the Corporation, there can be no assurance that these matters, or other matters that arise in the future, will not have an adverse effect on the Corporation's business and operating results.

v) Uninsured risks of loss

The Company relies on three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to conduct its Satellite business. The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. The Company's interests in these transponders are only insurable indirectly through the satellite owner. In the case of transponders on Anik F1R and Anik F2, the Company does not maintain any indirect insurance coverage as it believes the costs are uneconomic relative to the benefit which could otherwise be derived through an arrangement with Telesat. In the case of Anik G1, Telesat is committed to maintaining insurance on the satellite for five years from its April 2013 launch. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites as it believes the premium costs are uneconomic relative to the risk of satellite failure. Transponder capacity is available to the Company on an unprotected, non-preemptible basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R, Anik F2 and Anik G1 transponders that are secured through capacity service agreements. The Company has priority access to spare transponders on Anik F1R, Anik F2 and Anik G1 in the case of interruption, subject to availability. In the event of satellite failure, service will only be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade of their set-top box or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services on Anik F1R. Satellite failure could negatively affect levels of customer service and customer relationships and may result in a material adverse effect on the Company's business and results of operations.

The Company's business may be interrupted by network failures, including those caused by fire damage, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events. This could negatively affect levels of customer service and customer relationships and may result in a material adverse effect on the Company's business and operating results. The Company protects its network through a number of measures including physical and information technology security, ongoing maintenance and placement of insurance on its network equipment and data centers. The Company self-insures the plant in the cable distribution system as it believes the premium costs are uneconomic relative to the risk of failure of the plant in the cable distribution system. The risk of loss is mitigated as most of the cable plant is located underground. In addition, it is likely that network damage caused by any one incident would be limited by geographic area and therefore resulting business interruption and financial damages would be limited. Further, the Company has back-up disaster recovery plans in the event of network failure and redundant capacity for certain portions of the system. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service. Although the Company has taken steps to reduce this risk, there can be no assurance that major network disruptions will not occur.

vi) Reliance on suppliers

Shaw's business is connected to or relies on other telecommunication carriers and certain other utilities. Any of the events described in the preceding paragraph, as well as labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may have an adverse effect on the Company's business and operating results.

The Company sources its customer premise and capital equipment and capital builds from certain key suppliers. While the Company has alternate sources for most of its purchases, the loss of a key supplier could adversely affect the Company in the short term.

vii) Programming expenses

Shaw's programming expenses for cable and DTH continue to be one of the most significant single expense items. Costs continue to increase, particularly for sports programming. In addition, as the Company adds programming or distributes existing programming to more of the subscriber base, programming expenses increase. Although the Company has been successful at reducing the impact of these increases through sale of additional services or increasing subscriber rates, there can be no assurance that the Company will continue to be able to do so and operating results may be impacted.

In Media one of the most significant expenses is also programming costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and cost of programming content. Although the Corporation has processes to effectively manage these costs, programming content may be purchased for broadcasting one to two years in advance, making it more difficult to predict how such content will perform.

viii) Unionized labour

Approximately 50% of the Media division employees are employed under one of five collective agreements represented by three unions. If labour disruptions occur, it is possible large numbers of employees may be involved and that the Media business may be disrupted. Shaw is currently negotiating one collective agreement and the remaining four agreements have been renewed and are in effect for the next one to three years.

ix) Holding company structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, the Company's ability to meet its financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from its subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to the Company by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

x) Control of the Company by the Shaw family

As at October 31, 2014, JR Shaw and members of his family and the corporations owned and/or controlled by JR Shaw and members of his family (the "Shaw Family Group") own approximately 79% of the outstanding Class A Shares of the Company. The Class A Shares are the only shares entitled to vote in all shareholder matters. All of the Class A Shares held by the Shaw Family Group are subject to a voting trust agreement entered into by such persons. The voting rights with respect to such Class A Shares are exercised by the representative of a committee of five trustees. Accordingly, the Shaw Family Group is, and as long as it owns a majority of the Class A Shares will continue to be, able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A shareholders.

xi) Information systems and internal business processes

Many aspects of the Company's business depend to a large extent on various IT systems and software and internal business processes. Shaw also undertakes ongoing initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce these risks, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have an adverse effect on the Corporation's business and operating results.

xii) Dividend payments

The Company currently pays monthly common share dividends in amounts approved on a quarterly basis by the Board of Directors. At the current approved dividend amount, the

Company would pay approximately $510 million in common share dividends during 2015 (before taking into account the Company's dividend reinvestment plan ("DRIP"), see further details on page 54). While the Company expects to generate sufficient free cash flow in 2015 to fund these dividend payments, if actual results are different from expectations there can be no assurance that the Company will continue common share dividend payments at the current level.

xiii) Acquisitions and other strategic transactions

The Company may from time to time make acquisitions and enter into other strategic transactions. In connection with these acquisitions and strategic transactions, Shaw may fail to realize the anticipated benefits, incur unanticipated expenses and/or have difficulty incorporating or integrating the acquired business, the occurrence of which could have a material adverse effect on the Company.

II. SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization(1)	Net income attributable to equity shareholders	Net income(2)	Basic earnings per share	Diluted earnings per share
($millions Cdn except per share amounts)						
2014						
Fourth	1,263	525	187	192	0.40	0.40
Third	1,342	601	219	228	0.47	0.47
Second	1,274	528	215	222	0.46	0.46
First	1,362	608	236	245	0.51	0.51
Total	5,241	2,262	857	887	1.84	1.84
2013						
Fourth	1,246	496	111	117	0.24	0.24
Third	1,326	585	239	250	0.52	0.52
Second	1,251	538	172	182	0.38	0.38
First	1,319	601	224	235	0.50	0.49
Total	5,142	2,220	746	784	1.64	1.63

(1) See key performance drivers on page 21.
(2) Net income attributable to both equity shareholders and non-controlling interests.

Quarterly revenue and operating income before restructuring costs and amortization are primarily impacted by the seasonality of the Media division and fluctuate throughout the year due to a number of factors including seasonal advertising and viewing patterns. Typically, the Media business has higher revenue in the first quarter driven by the fall launch of season premieres and high demand and the third quarter which is impacted by season finales and mid season launches. Advertising revenue typically declines in the summer months of the fourth quarter when viewership is generally lower.

Net income has fluctuated quarter-over-quarter primarily as a result of the changes in operating income before restructuring costs and amortization described above and the impact of the net change in non-operating items. In the fourth quarter of 2014, net income decreased by $36 million primarily due to lower operating income before restructuring costs and amortization of

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

$76 million partially offset by the impact of the restructuring announced during the previous quarter. In the third quarter of 2014, net income increased $6 million due to higher operating income before restructuring costs and amortization of $73 million and lower interest and amortization expense totaling $25 million partially offset by restructuring expenses of $53 million and reduction in net other revenue items of $41 million. The reduction in net other revenue items was primarily due to the gain on sale of media assets of $49 million net of the $8 million of debt retirement costs recorded in the second quarter. In the second quarter of 2014, net income decreased $23 million due to lower operating income before restructuring costs and amortization of $80 million and increased amortization of $8 million partially offset by an improvement in net other non-operating items of $36 million and lower income tax expense of $24 million. In the first quarter of 2014, net income increased $128 million due to increased operating income before restructuring costs and amortization of $112 million, a reduction in net non-operating items of $21 million and lower amortization of $29 million partially offset by higher income taxes of $36 million. The reduction in amortization is due to changes in estimated useful lives of certain property, plant and equipment as well as a change in the amortization period for deferred equipment revenue and the associated deferred equipment costs. Net other non-operating items decreased due to a refund of $5 million in respect of excess money from the Canwest CCAA plan implementation fund received in the first quarter and the write-down of a real estate property of $14 million in the fourth quarter. In the fourth quarter of 2013, net income decreased $133 million due to lower operating income before restructuring costs and amortization of $89 million and reduction in net other revenue items of $67 million partially offset by lower income taxes of $34 million. The reduction in net other revenue items was mainly due to the gain on sale of Mountain Cable of $50 million recorded in the third quarter and write-down of a real estate property of $14 million in the fourth quarter. In the third quarter of 2013, net income increased $68 million due to increased operating income before restructuring costs and amortization of $47 million, the aforementioned gain on sale of Mountain Cable and the gain on sale of the specialty channel ABC Spark partially offset by higher income taxes of $30 million and acquisition and divestment costs in respect of the transactions with Rogers and the acquisition of Envision. In the second quarter of 2013, net income decreased $53 million primarily due to lower operating income before restructuring costs and amortization of $63 million partially offset by lower income taxes of $5 million. As a result of the aforementioned changes in net income, basic and diluted earnings per share have trended accordingly.

The following further assists in explaining the trend of quarterly revenue and operating income before restructuring costs and amortization:

Growth in subscriber statistics as follows:

	2014				2013			
Subscriber Statistics	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Video customers	**(29,619)**	**(20,758)**	**(12,075)**	**(20,166)**	(23,877)	(29,525)	(26,578)	(29,522)
Internet customers	**2,746**	**12,767**	**12,399**	**11,983**	5,637	7,675	4,157	10,564
Digital Phone lines	**1,351**	**8,075**	**4,834**	**1,114**	16,750	13,225	17,719	4,722
DTH customers	**(9,323)**	**(1,405)**	**(5,608)**	**(6,606)**	(4,021)	1,328	(2,930)	(835)

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

III. RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2014 CONSOLIDATED RESULTS

($millions Cdn except per share amounts)	2014	2013	2012	Change 2014 %	Change 2013 %
Operations:					
Revenue	**5,241**	5,142	4,998	**1.9**	2.9
Operating income before restructuring costs and amortization(1)	**2,262**	2,220	2,127	**1.9**	4.4
Operating margin(1)	**43.2%**	43.2%	42.6%	**–**	0.6
Funds flow from operations(2)	**1,524**	1,380	1,299	**10.4**	6.2
Net income	**887**	784	761	**13.1**	3.0
Free cash flow(1)	**698**	604	482	**15.6**	25.3
Balance sheet:					
Total assets	**13,250**	12,732	12,722		
Long-term financial liabilities					
Long-term debt (including current portion)	4,690	4,818	5,263		
Derivative instruments	–	–	1		
Other financial liabilities	5	53	4		
Per share data:					
Earnings per share					
Basic	**1.84**	1.64	1.62		
Diluted	**1.84**	1.63	1.61		
Weighted average number of participating shares outstanding during period (millions)	**457**	448	441		
Cash dividends declared per share					
Class A	**1.0775**	1.0050	0.9550		
Class B	**1.0800**	1.0075	0.9575		

(1) See key performance drivers on page 21.
(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Highlights

- Net income was $887 million for the year compared to $784 million in 2013.
- Earnings per share were $1.84 compared to $1.64 in 2013.
- Revenue for the year improved 1.9% to $5.24 billion from $5.14 billion last year.
- Operating income before restructuring costs and amortization of $2.26 billion was up 1.9% over last year's amount of $2.22 billion.
- Consolidated free cash flow was $698 million compared to $604 million in 2013.
- During 2014 the Company increased the dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent dividend rate of $1.0975 and $1.10 respectively. Dividends paid in 2014 were $485 million.

- On January 28, 2014 the Company issued $500 million senior unsecured notes at a rate of 4.35% due January 31, 2024 and $300 million floating rate senior unsecured notes due February 1, 2016. The floating rate senior notes bear interest at an annual rate equal to three month CDOR plus 0.69%. The net proceeds from the issuances were used to redeem the $600 million senior unsecured notes due June 2, 2014 and for working capital and general corporate purposes.
- In April 2014 the Company announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. Commencing in fiscal 2015, Shaw's residential and enterprise services are reorganized into new Consumer and Business units, respectively, with no changes to the Media division. In connection with the restructuring of its operations, the Company recorded $58 million primarily in respect of the approximate 400 management and non-customer facing roles which were affected by the organizational changes. The anticipated annual savings, net of hires to support the new structure, is approximately $50 million.
- During 2014 Shaw entered into a marketing, content and promotion partnership with Rdio, Inc. ("Rdio") a leading digital music service with a catalog of over 20 million songs. The service allows users to listen anywhere – the web, phone, or offline – and complements Shaw's broadband and Shaw Go WiFi services. As part of the arrangement Shaw made a financial investment in Rdio's holding company, Pulser Media Inc. ("Pulser"). In addition, Shaw also made a minority investment in SHOP.CA, one of Canada's leading on-line ecommerce destinations.
- During fiscal 2014 and 2013, the Company entered into a number of transactions as follows:
  - In late fiscal 2014, the Company announced it had entered into agreements to acquire 100% of the shares of ViaWest for an enterprise value of US $1.2 billion. ViaWest is headquartered in Denver, Colorado and has 27 data centres in 8 key Western U.S. markets providing collocation, cloud and managed services. On September 2, 2014, the Company closed the acquisition which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 million on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada.
  - During the current year, the Company partnered with Rogers to form shomi, a new subscription video-on-demand service having the latest most exclusive shows and selections personalized for viewers. The service was launched in beta in early November 2014.
  - During 2013, the Company entered into agreements with Rogers to sell to Rogers its shares in Mountain Cable and grant to Rogers an option to acquire its wireless spectrum licenses; and, to purchase from Rogers its 33.3% interest in TVtropolis General Partnership ("TVtropolis"). The sale of Mountain Cable and the purchase of TVtropolis closed during 2013, after the respective regulatory approvals were received. The potential option exercise for the sale of the wireless spectrum licenses is still subject to various regulatory approvals. The net proceeds of these transactions approximates $700 million.

- During 2013, the Company entered into a number of transactions with Corus, a related party subject to common voting control. In a series of agreements to optimize its portfolio of specialty channels, Shaw agreed to sell to Corus its 49% interest in ABC Spark and 50% interest in its two French-language channels, Historia and Series+. In addition, Corus agreed to sell to Shaw its 20% interest in Food Network Canada. Shaw received net proceeds of $93 million from these transactions. The ABC Spark and Food Network Canada transactions closed during 2013 while Historia and Series+ closed in 2014.
- In 2013, the Company acquired Envision, a company providing leading telecommunication services to Calgary business customers, for approximately $225 million.

- During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from the aforementioned strategic transactions with each of Rogers and Corus. Accelerated capital initiatives are being funded through this fund and not cash generated from operations. Key investments include the completion of the Calgary internal data centre, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the WiFi network, and additional innovative product offerings related to Shaw Go and other applications to provide an enhanced customer experience. Approximately $110 million was invested in fiscal 2013, $240 million in fiscal 2014, and $150 million is expected to be invested in fiscal 2015.
- The Company continued to expand on its TV Everywhere content strategy launching Global Go and a number of Shaw Go apps during fiscal 2014, giving subscribers on-the-go access to their favorite programming. Shaw also continued to invest in and build awareness of Shaw Go WiFi and as at August 31, 2014 had over 45,000 hotspots and 1.25 million devices registered on the network, reflecting the value of the service to customers.

Revenue and operating expenses

Consolidated revenue of $5.24 billion and operating income before restructuring costs and amortization of $2.26 billion both improved 1.9% over 2013. Revenue growth in the Cable division, primarily driven by pricing adjustments and growth in Business, was partially reduced by lower video subscribers, increased programming costs and higher employee related amounts. The marginal revenue decline in the Media division, primarily due to reduced advertising revenues partially offset by increased subscriber revenues as well as the favorable impact of a retroactive adjustment related to distant signal retransmission royalties, was offset through various expense reductions. Revenue growth in the satellite division, primarily due to pricing adjustments, was more than offset by higher programming expenses and increased operating costs related to the new Anik G1 satellite which launched in the third quarter of fiscal 2013. Within all segments, the prior year benefited from a one-time adjustment to align certain broadcast license fees with the CRTC billing period totaling approximately $14 million.

Amortization

($millions Cdn)	2014	2013	Change %
Amortization revenue (expense) –			
Deferred equipment revenue	**69**	121	(43.0)
Deferred equipment costs	**(142)**	(257)	(44.7)
Property, plant and equipment, intangibles and other	**(692)**	(718)	(3.6)

Amortization of deferred equipment revenue and deferred equipment costs decreased over the comparable year primarily due to the impact of the change in the amortization period for amounts in respect of customer premise equipment from two to three years.

Amortization of property, plant and equipment, intangibles and other decreased over the comparable year as the amortization of new expenditures was more than offset by the impact of assets that became fully depreciated and the effect of changes in useful lives of certain assets.

Amortization of financing costs and Interest expense

($millions Cdn)	2014	2013	Change %
Amortization of financing costs – long-term debt	**3**	4	(25.0)
Interest expense	**266**	309	(13.9)

Interest expense decreased over the comparable year primarily due to the combined impact of a lower average debt level and reduced average cost of borrowing.

Other income and expenses

($millions Cdn)	2014	2013	Increase (decrease) in income
Gain on sale of media assets	**49**	–	49
Gain on sale of cablesystem	**–**	50	(50)
Acquisition and divestment costs	**(4)**	(8)	4
Gain on sale of associate	**–**	7	(7)
Accretion of long-term liabilities and provisions	**(6)**	(9)	3
Debt retirement costs	**(8)**	–	(8)
Other losses	**(6)**	(26)	20

During 2013, the Company agreed to sell its 50% interest in its two French-language channels, Historia and Series+, to Corus, a related party subject to common voting control. The sale of Historia and Series+ closed on January 1, 2014 and the company recorded proceeds of $141 million and a gain of $49 million.

During 2013, the Company closed the sale of Mountain Cable in Hamilton, Ontario to Rogers. The Company received proceeds, after working capital adjustments, of $398 million and recorded a gain of $50 million.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

The Company incurred $4 million of acquisition related costs in fiscal 2014 for professional fees paid to lawyers, consultants and advisors in respect of the acquisition of ViaWest which closed subsequent to year end.

In 2013, the Company incurred $8 million of costs in respect of the acquisition of Envision and the transactions with Rogers related to the sale of Mountain Cable, grant of an option to acquire the wireless spectrum licenses and purchase from Rogers its interest in TVtropolis.

During 2013, the Company recorded a gain of $7 million on the sale of its interest in ABC Spark to Corus.

The Company records accretion expense in respect of the discounting of certain long-term liabilities and provisions which are accreted to their estimated value over their respective terms. The expense is primarily in respect of CRTC benefit obligations.

On February 18, 2014, the Company redeemed the $600 million 6.50% senior notes due June 2, 2014. In connection with the early redemption, the Company incurred costs of $7 million and wrote-off the remaining finance costs of $1 million.

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. During the prior year, the category included amounts related to the electrical fire and resulting water damage to Shaw Court that occurred during the fourth quarter of 2012. In fiscal 2013, the Company received insurance advances of $5 million related to its insurance claim and incurred costs of $13 million in respect of ongoing recovery activities. In addition, during the fourth quarter of the prior year, the Company decided to discontinue further construction of a real estate project which resulted in a write-down of $14 million. During the current year, the category includes additional proceeds of $6 million related to the aforementioned insurance claim and also includes a refund of $5 million in respect of excess money from the Canwest CCAA plan implementation fund and a write-down of $6 million in respect of discontinued capital projects.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 26.0% for 2014 and 25.9% for 2013 and was adjusted for the reconciling items identified in Note 23 to the Consolidated Financial Statements.

Earnings per share

($millions Cdn except per share amounts)	2014	2013	Change %
Net income	**887**	784	13.1
Weighted average number of participating shares outstanding during period (millions)	**457**	448	2.0
Earnings per share			
Basic	**1.84**	1.64	12.2
Diluted	**1.84**	1.63	12.9

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

Net income

Net income was $887 million in 2014 compared to $784 million in 2013. The year-over-year changes are summarized in the table below.

Net income increased $103 million over the prior year. The current year benefitted from higher operating income before restructuring costs and amortization, lower amortization and interest expense and improved net other costs and revenue, partially offset by higher income taxes and restructuring costs. Net other costs and revenue in both years was impacted by various items including gains on sales of media and cable assets as well as write-downs of assets while the prior year also included amounts in respect of recovery activities related to damage at Shaw Court.

($millions Cdn)	
Increased operating income before restructuring costs and amortization	**42**
Restructuring costs	**(58)**
Decreased amortization	**90**
Decreased interest expense	**43**
Change in other net costs and revenue(1)	**11**
Increased income taxes	**(25)**
	103

(1) Net other costs and revenue includes gains on sales of media assets and cablesystem, acquisition and divestment costs, gain on sale of associate, accretion of long-term liabilities and provisions, debt retirement costs and other losses as detailed in the Consolidated Statements of Income.

SEGMENTED OPERATIONS REVIEW

CABLE

FINANCIAL HIGHLIGHTS

($millions Cdn)	2014	2013	Change %
Revenue	**3,365**	3,266	3.0
Operating income before restructuring costs and amortization(1)	**1,632**	1,582	3.2
Capital expenditures and equipment costs (net):(6)			
New housing development(2)	**94**	94	–
Success-based(3)	**234**	203	15.3
Upgrades and enhancement(4)	**364**	380	(4.2)
Replacement(5)	**49**	46	6.5
Buildings and other	**247**	144	71.5
	988	867	14.0
Operating margin(1)	**48.5%**	48.4%	0.1

(1) See key performance drivers on page 21.

(2) Build out of mainline cable and the addition of drops in new subdivisions.
(3) Capital and equipment costs (net) related to the acquisition of new customers, including installation of internet and digital phone modems, DCTs and commercial drops for Shaw Business customers.
(4) Upgrades to the plant and build out of the fibre backbone.
(5) Normal replacement of aged assets such as drops, vehicles and other equipment.
(6) Amounts in 2014 and 2013 include $240 million and $110 million, respectively, related to certain capital investments that are being funded from the accelerated capital fund.

OPERATING HIGHLIGHTS

- Revenue and operating income before restructuring costs and amortization improved 3.0% and 3.2%, respectively, over last year.
- Internet customers were up 39,895 to 1,930,401 and Digital Phone lines increased 15,374 totaling 1,375,334 as at August 31, 2014. Video subscribers decreased 82,618.

Cable revenue of $3.36 billion improved 3.0% over last year. Price adjustments along with growth in Business, including the Envision acquisition, and Internet were partially offset by lower Video subscribers and the impact of the divestiture of Mountain Cable in the prior year.

Operating income before restructuring costs and amortization of $1.63 billion improved 3.2% over the prior year. The net revenue improvement, along with lower marketing expenses and the reduction in the LPIF from 1.0% to 0.5%, were partially offset by increased programming costs and higher employee related expenses. The prior year also benefitted from a favorable adjustment of approximately $7 million to align certain broadcast license fees with the CRTC billing period.

Capital investment of $988 million increased $121 million over the prior year. The current year included $240 million of investment funded through the accelerated capital fund while the prior year spend was $110 million. The accelerated capital fund initiatives included continued investment on the new data centre, network capacity, next generation delivery systems, and expediting the WiFi infrastructure build.

Success-based spend was $31 million higher than the prior year due to Video equipment included offers and higher WiFi modem purchases, partially reduced by lower Digital Phone modem purchases.

Investment in Upgrades and enhancement and Replacement categories combined of $413 million was lower by $13 million due to prior year investment in the DNU project. Significant investment continued in upgrades to improve internet bandwidth capacity and congestion, WiFi network build, business customer growth and IPTV video systems.

Investment in Buildings and other was up $103 million compared to last year due to higher spending on the new internal data centre and Shaw Court refurbishment.

Shaw continues to invest in the largest WiFi network in Canada, now with over 45,000 hotspots located in businesses and municipalities from Victoria, British Columbia to Sault Ste. Marie, Ontario. Shaw's carrier-grade network allows Shaw Internet customers, while on the go, to access and stream internet content, including Shaw Go Apps.

SUBSCRIBER STATISTICS

	2014	2013	Growth	Change %
VIDEO:				
Connected	**1,957,629**	2,040,247	(82,618)	(4.0)
Penetration as a % of homes passed	**47.8%**	50.9%		
INTERNET:				
Connected	**1,930,401**	1,890,506	39,895	2.1
Stand-alone Internet not included in video	**392,387**	320,724	71,663	22.3
Penetration as a % of video (excluding Standalone Internet)	**78.6%**	76.9%		
DIGITAL PHONE:				
Number of lines[(1)]	**1,375,334**	1,359,960	15,374	1.1

(1) Represents primary and secondary lines on billing.

SATELLITE

FINANCIAL HIGHLIGHTS

($millions Cdn)	2014	2013	Change %
Revenue	**878**	860	2.1
Operating income before restructuring costs and amortization[(1)]	**277**	285	(2.8)
Capital expenditures and equipment costs (net):			
Success-based[(2)]	**79**	88	(10.2)
Transponders	**–**	23	>100.0
Buildings and other	**10**	12	(16.7)
	89	123	(27.6)
Operating margin[(1)]	**31.5%**	33.1%	(1.6)

(1) See key performance drivers on page 21.
(2) Net of the profit on the sale of satellite equipment as it is viewed as a recovery of expenditures on customer premise equipment.

OPERATING HIGHLIGHTS

- Revenue improved 2.1% over the prior year to $878 million while operating income before restructuring costs and amortization declined 2.8% to $277 million.
- Shaw Direct subscribers decreased 22,942 to 880,623 at August 31, 2014.

Revenue of $878 million was up 2.1% over last year primarily due to rate adjustments partially offset by customer declines. Operating income before restructuring costs and amortization of $277 million decreased from $285 million last year primarily due revenue related improvements offset by higher fees related to programming services and operating costs related to the Anik G1 transponders launched in the third quarter last year. The prior year also benefitted from a favorable adjustment of approximately $4 million to align certain broadcast license fees with the CRTC billing period.

Total capital investment of $89 million for the current year declined from $123 million last year. Success based capital was down primarily due to lower customer growth. The decrease in Transponders reflects the final payment related to Anik G1 in the prior year while the decline in Buildings and other relates to higher investment last year in various uplink equipment.

During the year, Shaw Direct launched a number of new HD and SD channels and currently offers over 650 channels of which more than 220 are HD.

SUBSCRIBER STATISTICS

	2014	2013	Growth
Shaw Direct customers[1]	**880,623**	903,565	(22,942)

(1) Including seasonal customers who temporarily suspend their service.

MEDIA

FINANCIAL HIGHLIGHTS

($millions Cdn)	2014	2013	Change %
Revenue	**1,096**	1,106	(0.9)
Operating income before restructuring costs amortization[1]	**353**	353	–
Capital expenditures:			
Broadcast and transmission	**10**	13	(23.1)
Buildings/other	**8**	18	(55.6)
	18	31	(41.9)
Other adjustments:			
CRTC benefit obligation funding	**(58)**	(52)	11.5
Non-controlling interests	**(31)**	(39)	(20.5)
Operating margin[1]	**32.2%**	31.9%	0.3

(1) See key performance drivers on page 21.

OPERATING HIGHLIGHTS

2014 revenue of $1.10 billion and operating income before restructuring costs and amortization of $353 million compared to $1.11 billion and $353 million, respectively, for the prior year. Revenues declined due to reduced advertising revenues and the impact of the disposition of Historia and Series+. This was partially offset by increased subscriber and other revenues that included a retroactive adjustment of $6 million related to Global's share of royalties for distant signal transmission for the years 2009 through 2013. Operating income before restructuring costs and amortization was unchanged year-over-year as the current year revenue decline was offset through various lower expenses including employee related and marketing. The prior year also benefitted from a favorable adjustment of approximately $3 million to align certain broadcast license fees with the CRTC billing period.

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

Global delivered solid programming results throughout the year with new programs such as The Blacklist and returning favourites including the NCIS franchise, Bones and Survivor. The conventional fall programming premiered through the month of September and into October with a solid returning line-up combined with new drama programming.

Throughout the year, Media's specialty portfolio held solid positions in the channel rankers in the Adult 25-54 category and closed out the year with 3 of the Top 10 analog channels and 5 of the Top 10 digital channels. In late fiscal 2014, Shaw Media announced the rebranding of two existing channels to FYI and Crime + Investigation which took place early in fiscal 2015.

During 2014, Global News retained the number one position in the Vancouver, Calgary and Edmonton markets, while continued focus on on-line and mobile audiences has maintained Globalnews.ca as Canada's fastest growing major news site. Global News continues to receive recognition for the quality of its journalism and public service and was honoured during the current year with numerous awards from various organizations, including Global Calgary receiving the prestigious "Best Local Newscast in Canada" award. In addition, Globalnews.ca won the 2013 Eppy Award for the best overall news website design, surpassing major Canadian and US news sites. In August 2014 Shaw filed an application with the CRTC for a new Category C hybrid national and local all news channel.

Higher capital investment was incurred in fiscal 2013 to support various initiatives including the launch of BC1 Regional News Channel, completion of the DTV transition in mandated markets, and various facility investments.

IV. FINANCIAL POSITION

Total assets were $13.2 billion at August 31, 2014 compared to $12.7 billion at August 31, 2013. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2013.

Current assets increased $138 million primarily due to increases in cash, accounts receivable and inventories of $215 million, $7 million and $23 million, respectively partially offset by a decrease in assets held for sale of $105 million upon closing the sale of Historia and Series+ in the second quarter. Cash increased as funds provided by operations exceeded cash outlays for investing and financing activities. Accounts receivable increased due to timing of collection of advertising and other receivables while inventories were higher due to timing of equipment purchases.

Investments and other assets increased $50 million due to various financial investments including the investments in Pulser and SHOP.CA.

Property, plant and equipment increased $282 million primarily as a result of current year capital investment exceeding amortization.

Other long-term assets decreased $23 million primarily due to lower deferred equipment costs and related customer equipment financing receivables.

Intangibles increased $45 million mainly due to additional investments in software intangibles and acquired program rights and advances exceeding the amortization for the current year.

Current liabilities decreased $809 million due to the repayment of the promissory note of $48 million, a decline in the current portion of long-term debt of $950 million, a decrease in liabilities associated with assets held for sale of $14 million and lower accounts payable and accrued liabilities of $31 million which were partially offset by increases in provisions of $18 million, income taxes payable of $205 million and unearned revenue of $11 million. The current portion of long-term debt decreased due to the repayment of the 7.5% $350 million senior notes which were due in November 2013 and early redemption of the 6.5% $600 million senior notes which were due June 2014. Liabilities associated with assets held for sale decreased as the sale of Historia and Series+ closed during the second quarter at which time the Company settled the promissory note that had been owing to Corus. Accounts payable and accruals declined due to a decrease in CRTC benefit obligations as well as timing of payment and fluctuations in various payables. During the current year, the Company funded the remaining expenditure commitments in respect of the fiscal 2007 CRTC benefit obligation which the Company had assumed as part of the media acquisition in 2010. Provisions increased primarily due to the restructuring while income taxes payable increased due to the current year expense partially offset by net tax installment payments. Unearned revenue was higher primarily due to an increase in advance bill payments.

Long-term debt increased $822 million due to the issuance of 4.35% $500 million senior notes and $300 million floating rate senior notes and the refinancing of the Partnership's mortgage debt.

Other long-term liabilities increased $28 million due to an increase in employee benefit plans, primarily as a result of actuarial losses, partially offset by a decrease in CRTC benefit obligations.

Deferred credits decreased $10 million due to amortization of deferred IRU revenue.

Deferred income tax liabilities, net of deferred income tax assets, decreased $63 million due to the current year income tax recovery.

Shareholders' equity increased $524 million primarily due to increases in share capital of $227 million and retained earnings of $347 million partially offset by an increase in accumulated other comprehensive loss of $46 million. Share capital increased due to the issuance of 9,199,784 Class B Non-Voting Shares under the Company's option plan and DRIP. As of November 15, 2014, share capital is as reported at August 31, 2014 with the exception of the issuance of a total of 1,951,937 Class B Non-Voting Shares under the DRIP and upon exercise of options under the Company's option plan. Retained earnings increased due to current year earnings of $857 million partially offset by dividends of $510 million. Accumulated other comprehensive loss increased due to the remeasurements recorded on employee benefit plans.

V. CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

($millions Cdn)	2014	2013	Change %
Funds flow from operations	**1,524**	1,380	10.4
Net change in non-cash working capital balances	**216**	(11)	>100.0
	1,740	1,369	27.1

Funds flow from operations increased over the comparative year due to improved operating income before restructuring costs and amortization, lower interest expense and a decrease in program rights purchases in the current year as well as the initial $300 million supplemental executive retirement plan funding in the prior year, all of which were partially offset by the restructuring amounts and higher current income tax expense in the current year. The net change in non-cash working capital balances related to operations fluctuated over the comparative year due to the timing of payment of current income taxes payable and accounts payable and accrued liabilities as well as fluctuations in accounts receivable.

Investing activities

($millions Cdn)	2014	2013	Increase
Cash flow used in investing activities	**(1,029)**	(642)	387

The cash used in investing activities increased over last year primarily due to the net cash receipt in respect of the transactions with Rogers partially offset by the acquisition of Envision in the comparative period and higher cash outlays for capital expenditures in the current year partially offset by the proceeds on the sale of Historia and Series+ which closed on January 1, 2014.

Financing activities

The changes in financing activities during 2014 and 2013 were as follows:

	Year ended August 31,	
($millions Cdn)	2014	2013
Issuance of 4.35% senior unsecured notes	**500**	–
Issuance of floating rate senior unsecured notes	**300**	–
Redeem 6.5% senior unsecured notes	**(600)**	–
Repay 7.5% senior unsecured notes	**(350)**	–
Repay 6.1% senior unsecured notes	**–**	(450)
Repay promissory note	**(48)**	–
Prepay Partnership mortgage	**(19)**	–
Partnership mortgage loan proceeds	**40**	–
Senior notes issuance costs	**(4)**	–
Debt retirement costs	**(7)**	–
Dividends	**(352)**	(332)
Issuance of Class B Non-Voting Shares	**70**	69
Distributions paid to non-controlling interests	**(26)**	(19)
Contributions received from non-controlling interests	**–**	1
Repayment Partnership debt	**–**	(1)
	(496)	(732)

VI. LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $698 million of free cash flow. Shaw used its free cash flow along with $800 million of proceeds from the two senior unsecured note issuances, net proceeds from the transactions with Corus of $93 million, proceeds on issuance of Class B Non-Voting Shares of $70 million and the net working capital and inventory reduction of $180 million to repay the 7.5% $350 million senior notes, redeem the 6.5% $600 million senior notes, pay common share dividends of $339 million, fund $240 million of accelerated capital spend, pay $45 million of restructuring costs, make $52 million in financial investments and increase cash balances $215 million.

To allow for timely access to capital markets, the Company filed a short form base shelf prospectus with securities regulators in Canada and the U.S. on May 13, 2013. The shelf prospectus allows for the issue up to an aggregate $4 billion of debt and equity securities over a 25 month period. Pursuant to the shelf prospectus, on January 31, 2014 the Company issued $500 million senior notes at a rate of 4.35% due January 31, 2024 and $300 million floating rate senior notes due February 1, 2016. The floating rate senior notes bear interest at an annual rate equal to three month CDOR plus 0.69%. The net proceeds from the issuances were used to redeem the $600 million senior notes due June 2, 2014 and for working capital and general corporate purposes.

On December 5, 2013 Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to 20,000,000 Class B Non-Voting Shares during the period from December 9, 2013 to December 8, 2014. No shares have been repurchased during the current year.

The Company's DRIP allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date. The DRIP has resulted in cash savings and incremental Class B Non-Voting Shares of $146 million during fiscal 2014.

Subsequent to year end, the Company used a combination of cash on hand, assumption of ViaWest debt and US $330 million of credit facility borrowings to finance the acquisition of ViaWest.

Based on available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Debt structure and financial policy

Shaw structures its borrowings generally on a stand-alone basis. The borrowings of Shaw are unsecured. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

Shaw's borrowings are subject to covenants which include maintaining minimum or maximum financial ratios. At August 31, 2014, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings. As at August 31, 2014, the ratio of debt to operating income before restructuring costs and amortization for the Corporation is 1.9 times.

Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5 times would be optimal leverage for the Corporation in the current environment. Should the ratio fall below this, on an other than temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Corporation's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

Off-balance sheet arrangement and guarantees

Guarantees

Generally it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 25 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2014 are detailed in the following table.

CONTRACTUAL OBLIGATIONS

	Payments due by period				
($millions Cdn)	**Total**	**Within 1 year**	**2 – 3 years**	**4 – 5 years**	**More than 5 years**
Long-term debt(1)	8,142	267	1,506	439	5,930
Operating obligations(2)	1,899	737	482	319	361
Purchase obligations(3)	75	59	14	2	–
Other obligations(4)	5	–	5	–	–
	10,121	1,063	2,007	760	6,291

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and premises and exclusive rights to use intellectual property in Canada.
(3) Includes capital expenditure and inventory purchase commitments.
(4) Includes other non-current financial liabilities and is in respect of program rights.

VII. ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's Annual Information Form dated November 28, 2014, can be found on SEDAR at www.sedar.com.

VIII. COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investors/Corporate Governance/Compliance with NYSE Corporate Governance Listing Standards).

Shaw Communications Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2014

IX. CERTIFICATION

The Company's Chief Executive Officer and Senior Vice President, Finance have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting.

As at August 31, 2014, the Company's management, together with its Chief Executive Officer and Senior Vice President, Finance, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Senior Vice President, Finance have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

There were no changes in the Company's internal controls over financial reporting during the fiscal year that have materially affected or are reasonably likely to materially affect Shaw's internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Shaw Communications Inc.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

November 28, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal

Shaw Communications Inc.
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2014.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Rhonda Bashnick
Senior Vice President,
Finance

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of
Shaw Communications Inc.

We have audited the accompanying consolidated financial statements of Shaw Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2014 and 2013, and its financial performance and its cash flows for the years ended August 31, 2014 and 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2014, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework and our report dated November 28, 2014 expressed an unqualified opinion on Shaw Communications Inc.'s internal control over financial reporting.

Calgary, Canada
November 28, 2014

Ernst & Young LLP

Chartered Accountants

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

To the Shareholders of
Shaw Communications Inc.

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2014, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2014, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2014 and 2013, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2014 and 2013, and our report dated November 28, 2014 expressed an unqualified opinion thereon.

Ernst & Young LLP

Calgary, Canada
November 28, 2014

Chartered Accountants

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[millions of Canadian dollars]	August 31, 2014 $	August 31, 2013 $
ASSETS		
Current		
Cash	**637**	422
Accounts receivable *[note 4]*	**493**	486
Inventories *[note 5]*	**119**	96
Other current assets *[note 6]*	**73**	72
Derivative instruments *[note 28]*	**–**	3
Assets held for sale *[note 3]*	**11**	116
	1,333	1,195
Investments and other assets *[notes 7 and 28]*	**60**	10
Property, plant and equipment *[note 8]*	**3,652**	3,370
Other long-term assets *[note 9]*	**283**	306
Deferred income tax assets *[note 23]*	**26**	–
Intangibles *[note 10]*	**7,198**	7,153
Goodwill *[note 10]*	**698**	698
	13,250	12,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 11]*	**828**	859
Provisions *[note 12]*	**44**	26
Income taxes payable	**341**	136
Unearned revenue	**183**	172
Promissory note *[note 3]*	**–**	48
Current portion of long-term debt *[notes 13 and 28]*	**–**	950
Liabilities associated with assets held for sale *[note 3]*	**–**	14
	1,396	2,205
Long-term debt *[notes 13 and 28]*	**4,690**	3,868
Other long-term liabilities *[notes 14 and 26]*	**251**	223
Provisions *[note 12]*	**9**	9
Deferred credits *[note 15]*	**862**	872
Deferred income tax liabilities *[note 23]*	**1,105**	1,142
	8,313	8,319
Commitments and contingencies *[notes 13, 25, 26 and 31]*		
Shareholders' equity		
Common and preferred shareholders	**4,702**	4,182
Non-controlling interests in subsidiaries	**235**	231
	4,937	4,413
	13,250	12,732

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31 [millions of Canadian dollars except per share amounts]	2014 $	2013 $
Revenue *[note 24]*	**5,241**	5,142
Operating, general and administrative expenses *[note 21]*	**(2,979)**	(2,922)
Restructuring costs *[notes 12 and 21]*	**(58)**	–
Amortization –		
Deferred equipment revenue *[note 15]*	**69**	121
Deferred equipment costs *[note 9]*	**(142)**	(257)
Property, plant and equipment, intangibles and other *[notes 8, 9, 10 and 15]*	**(692)**	(718)
Operating income	**1,439**	1,366
Amortization of financing costs – long-term debt *[note 13]*	**(3)**	(4)
Interest expense *[notes 13 and 24]*	**(266)**	(309)
Gain on sale of media assets *[note 3]*	**49**	–
Gain on sale of cablesystem *[note 3]*	**–**	50
Acquisition and divestment costs *[notes 3 and 31]*	**(4)**	(8)
Gain on sale of associate *[note 3]*	**–**	7
Accretion of long-term liabilities and provisions	**(6)**	(9)
Debt retirement costs *[note 13]*	**(8)**	–
Other losses *[note 22]*	**(6)**	(26)
Income before income taxes	**1,195**	1,067
Current income tax expense *[note 23]*	**354**	162
Deferred income tax expense (recovery) *[note 23]*	**(46)**	121
Net income	**887**	784
Net income attributable to:		
Equity shareholders	**857**	746
Non-controlling interests in subsidiaries	**30**	38
	887	784
Earnings per share *[note 18]*		
Basic	**1.84**	1.64
Diluted	**1.84**	1.63

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31 [millions of Canadian dollars]	2014 $	2013 $
Net income	**887**	784
Other comprehensive income (loss) *[note 20]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**3**	4
Adjustment for hedged items recognized in the period	**(5)**	(1)
Unrealized loss on available-for-sale investment	**(2)**	–
	(4)	3
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans	**(42)**	3
	(46)	6
Comprehensive income	**841**	790
Comprehensive income attributable to:		
Equity shareholders	**811**	752
Non-controlling interests in subsidiaries	**30**	38
	841	790

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2014

[millions of Canadian dollars]	Attributable to equity shareholders Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2013	**2,955**	**72**	**1,242**	**(87)**	**4,182**	**231**	**4,413**
Net income	–	–	**857**	–	**857**	**30**	**887**
Other comprehensive loss	–	–	–	**(46)**	**(46)**	–	**(46)**
Comprehensive income	–	–	**857**	**(46)**	**811**	**30**	**841**
Dividends	–	–	**(364)**	–	**(364)**	–	**(364)**
Dividend reinvestment plan	**146**	–	**(146)**	–	–	–	–
Shares issued under stock option plan	**81**	**(11)**	–	–	**70**	–	**70**
Share-based compensation	–	**3**	–	–	**3**	–	**3**
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	**(26)**	**(26)**
Balance as at August 31, 2014	**3,182**	**64**	**1,589**	**(133)**	**4,702**	**235**	**4,937**

Year ended August 31, 2013

[millions of Canadian dollars]	Attributable to equity shareholders Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2012	2,750	77	1,019	(93)	3,753	281	4,034
Net income	–	–	746	–	746	38	784
Other comprehensive loss	–	–	–	6	6	–	6
Comprehensive income	–	–	746	6	752	38	790
Dividends	–	–	(341)	–	(341)	–	(341)
Dividend reinvestment plan	126	–	(126)	–	–	–	–
Shares issued under stock option plan	79	(10)	–	–	69	–	69
Share-based compensation	–	5	–	–	5	–	5
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(19)	(19)
Contribution from non-controlling interest *[note 27]*	–	–	–	–	–	1	1
Acquisition of non-controlling interests *[note 3]*	–	–	(56)	–	(56)	(70)	(126)
Balance as at August 31, 2013	2,955	72	1,242	(87)	4,182	231	4,413

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 [millions of Canadian dollars]	2014 $	2013 $
OPERATING ACTIVITIES *[note 29]*		
Funds flow from operations	**1,524**	1,380
Net change in non-cash working capital balances related to operations	**216**	(11)
	1,740	1,369
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(976)**	(802)
Additions to equipment costs (net) *[note 24]*	**(56)**	(132)
Additions to other intangibles *[note 24]*	**(84)**	(69)
Net decrease (increase) to inventories	**(23)**	6
Proceeds on sale of media assets *[note 3]*	**141**	–
Proceeds on sale of cablesystem *[note 3]*	**–**	398
Divestment costs *[note 3]*	**–**	(5)
Proceeds on wireless spectrum license option *[note 3]*	**–**	50
Refundable deposit on wireless spectrum license *[note 3]*	**–**	200
Business acquisitions, net of cash acquired *[note 3]*	**–**	(222)
Proceeds on disposal of property, plant and equipment *[notes 24 and 29]*	**21**	3
Additions to investments and other assets *[note 3]*	**(52)**	(69)
	(1,029)	(642)
FINANCING ACTIVITIES		
Increase in long-term debt	**840**	590
Debt repayments	**(969)**	(1,041)
Debt retirement costs *[note 13]*	**(7)**	–
Senior notes issuance costs *[note 13]*	**(4)**	–
Repayment of promissory note *[note 3]*	**(48)**	–
Issue of Class B Non-Voting Shares	**70**	69
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(339)**	(319)
Dividends paid on Series A Preferred Shares	**(13)**	(13)
Distributions paid to non-controlling interests in subsidiaries	**(26)**	(19)
Contribution received from non-controlling interest *[note 27]*	**–**	1
	(496)	(732)
Increase (decrease) in cash	**215**	(5)
Cash, beginning of year	**422**	427
Cash, end of year	**637**	422

See accompanying notes

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian communications company whose core operating business is providing broadband cable television services, Internet, Digital Phone and telecommunications services ("Cable"); Direct-to-home (DTH) satellite services and satellite distribution services ("Satellite"); and programming content ("Media").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto and New York Stock Exchanges. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2014 and 2013, were approved by the Board of Directors and authorized for issue on November 28, 2014.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership") and until January 1, 2014, 50% interest in Historia and Series+ s.e.nc ("Historia and Series+").

The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Historia and Series+ are two Canadian French-language specialty television channels. The Company classified its 50% interest as a joint operation after considering the terms and conditions of the partnership agreement and other facts and circumstances including the significant obligations that arise with respect to the CRTC broadcasting licenses which are required to operate the channels and which are held at the partner level.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue and/or customer premise equipment revenue) and related subscription revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values.

Subscriber connection fees received from customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Installation revenue received on contracts with commercial business customers is deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and DCTs is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	5-20 years
Digital cable terminals and modems	2-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data processing	3-4 years
Other	3-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Assets held for sale

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iii) long-term receivables, (iv) network capacity leases, and (v) the non-current portion of prepaid maintenance and support contracts.

Intangibles

The excess of the cost of acquiring cable, satellite and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licenses, trademarks and brands represent identifiable assets with indefinite useful lives. Spectrum licenses were acquired in Industry Canada's auction of licenses for advanced wireless services and have an indefinite life.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over the estimated useful life of 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from three to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6.25% (2013 – 6.5%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are consistent with its reporting segments, Cable, Satellite and Media. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three years to five years, (iii) connection fee revenue and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, (iv) a deposit on a future fibre sale, and (v) amounts received in respect of granting an option to acquire its wireless spectrum licenses.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Tax credits and government grants

The Company has access to a government program which supports local programming produced by conventional television stations. In addition, the Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange loss recognized on the translation and settlement of current monetary assets and liabilities was $8 (2013 – $3) and is included in other losses.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective December 31, 2013 and the next actuarial valuations for funding purposes are effective December 31, 2014.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit ("RSU") plan for officers and employees of the Company. RSUs vest on the second anniversary of the grant date and compensation is recognized on a straight-line basis over the two year vesting period. RSUs will be settled in cash and the obligation for RSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods:

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iii) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(iv) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis. Significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licenses, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by the DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. The DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

(v) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes required.

(vi) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(vii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are consistent with the Company's reporting segments, Cable, Satellite and Media.

(ii) Broadcast rights and licenses and spectrum licenses – indefinite-life assessment

The Company's businesses are dependent upon broadcast licenses (or operate pursuant to an exemption order) granted and issued by the CRTC. In addition, the Company holds AWS licenses to operate a wireless system in Canada. While these licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Adoption of recent accounting pronouncements

The adoption of the following standards and amendments effective September 1, 2013 had no impact on the Company's consolidated financial statements other than additional disclosure requirements.

- IFRS 10 *Consolidated Financial Statements* replaces previous consolidation guidance and outlines a single consolidation model that identifies control as the basis for consolidation of all types of entities.
- IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The new standard classifies joint arrangements as either joint operations or joint ventures.
- IFRS 12 *Disclosure of Interests in Other Entities* sets out required disclosures on application of IFRS 10, IFRS 11 and IAS 28 (amended 2011).
- IAS 27 *Separate Financial Statements* was amended in 2011 for the issuance of IFRS 10 and retains the same guidance for separate financial statements.
- IAS 28 *Investments in Associates* was amended in 2011 for changes based on issuance of IFRS 10 and IFRS 11 and provides guidance on accounting for joint ventures, as defined by IFRS 11, using the equity method.
- IFRS 13 *Fair Value Measurement* defines fair value, provides guidance on its determination and introduces consistent requirements for disclosure of fair value measurements.

The Company has elected to early adopt the amendments to IAS 36 *Impairment of Assets* for the year ended August 31, 2014. The amendments limit the requirement to disclose the recoverable amount to assets (including goodwill) for which an impairment loss was recognized or reversed in the period, instead of the recoverable amount for each CGU to which significant goodwill or indefinite-life intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed.

Standards, interpretations and amendments to standards issued but not yet effect

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRIC 21 *Levies* provides guidance on when to recognize a financial liability imposed by a government, if the levy is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or where the timing and amount of the levy is certain. This interpretation is effective for the annual period commencing September 1, 2014 and is not expected to have an impact on the Company's financial statements.
- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2017.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

Change in accounting estimates

During the current year, the Company reviewed the useful lives of its property, plant and equipment as well as the amortization period for amounts deferred under multiple element arrangements, including equipment revenue and associated equipment costs and connection fees. The review resulted in changes in the amortization period for amounts deferred under multiple element arrangements and estimated useful lives of certain assets effective September 1, 2013. As a result, cable and telecommunication distribution system assets are amortized on a straight-line basis over 5 to 20 years, and digital cable terminals and modems on a straight-line basis over 2 to 5 years. The amortization period for amounts deferred and amortized on a straight-line basis under multiple element arrangements is 3 years. The impact of the changes has been accounted for prospectively. The changes in estimates in respect of unamortized balances at August 31, 2013 resulted in decreases to revenue and amortization as summarized below.

($millions Cdn)	Year ended August 31, 2014
Revenue	3
Amortization	
Deferred equipment revenue	29
Deferred equipment costs	66
Property, plant and equipment, intangibles and other	63

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

3. PURCHASE AND SALE OF ASSETS, BUSINESS ACQUISITION, AND ASSETS HELD FOR SALE

Purchase and sale of assets

Transactions with Corus Entertainment Inc. ("Corus")

During 2013 the Company entered into a series of agreements with Corus (see note 27) to optimize its portfolio of specialty channels. Effective April 30, 2013, the Company sold to Corus its 49% interest in ABC Spark and acquired from Corus its 20% interest in Food Network Canada. In addition, the Company agreed to sell to Corus its 50% interest in its two French-language channels, Historia and Series+. The sale of Historia and Series+ closed on January 1, 2014.

Historia and Series+

Historia and Series+ represented a disposal group within the media segment and accordingly, were not presented as discontinued operations in the statement of income. Sale proceeds of $141 included $2 in respect of working capital adjustments. The Historia and Series+ assets and liabilities disposed of in fiscal 2014 and classified as held for sale in the statement of financial position at August 31, 2013 are as follows:

	2014 $	2013 $
Accounts receivable	**5**	4
Other current assets	**4**	5
Intangibles	**93**	92
Goodwill	**4**	4
	106	105
Accounts payable and accrued liabilities	**2**	2
Deferred income tax liability	**12**	12
	14	14

Food Network Canada and ABC Spark

In 2013 the acquisition of an additional 20% interest in Food Network Canada increased the Company's ownership to 71%. The difference between the consideration of $67 and carrying value of the interest acquired of $47 has been charged to retained earnings.

The Company recorded proceeds, including working capital adjustments, of $19 and gain on sale of associate of $7 on the disposition of its 49% interest in ABC Spark.

The Company issued a non-interest bearing promissory note of $48 to satisfy the net consideration in respect of these transactions. The promissory note was settled in fiscal 2014 in connection with the closing of the sale of Historia and Series+ to Corus.

Transactions with Rogers Communications Inc. ("Rogers")

During 2013, the Company entered into agreements with Rogers to sell to Rogers its shares in Mountain Cablevision Limited ("Mountain Cable") and grant to Rogers an option to acquire its

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

wireless spectrum licenses as well as to purchase from Rogers its 33.3% interest in TVtropolis General Partnership (“TVtropolis”). The sale of Mountain Cable closed on April 30, 2013 and the acquisition of the additional interest in TVtropolis closed on June 30, 2013. The exercise of the option and the sale of the wireless spectrum licenses is still subject to various regulatory approvals. The transactions are strategic in nature allowing the Company to use a portion of the net proceeds to accelerate various capital investments to improve and strengthen its network advantage.

The Company incurred costs of $5 in respect of the transactions with Rogers. These costs have been expensed and are included in acquisition and divestment costs in the statement of income.

Mountain Cable

Mountain Cable had approximately 40,000 video customers in its operations based in Hamilton, Ontario. It represented a disposal group within the cable operating segment and accordingly, was not presented as discontinued operations in the statement of income.

The Company received proceeds of $398 in cash on the sale of the Mountain Cable and recorded a gain of $50. The assets and liabilities disposed of were as follows:

	$
Accounts receivable	2
Property, plant and equipment	65
Other long-term assets	3
Intangibles	245
Goodwill	81
	396
Accounts payable and accrued liabilities	1
Income tax payable	1
Unearned revenue	2
Deferred credits	2
Deferred income taxes	42
	48

Wireless spectrum licenses

The wireless spectrum licenses are not classified as assets held for sale as the exercise of the option and the sale of the wireless spectrum licenses is subject to various regulatory approvals. The Company received $50 in respect of the purchase price of the option to acquire the wireless spectrum licenses. The amount is recorded in deferred credits and will be included as part of the proceeds received on exercise of the option and sale of the wireless spectrum licenses, or alternatively as a gain if the option is not exercised and expires. In addition, the Company received a $200 refundable deposit in respect of the option exercise price. The deposit has been recorded in deferred credits and will be included as part of the proceeds received on exercise of the option and sale of the wireless spectrum licenses or refunded to Rogers if the option is not exercised and expires.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

TVtropolis

The acquisition of Rogers' 33.3% interest in TVtropolis increased the Company's ownership to 100%. The difference between the consideration of $59, which was initially paid as a deposit pending regulatory approval of the transaction, and the carrying value of the interest acquired of $23 has been charged to retained earnings.

Business acquisition

On April 30, 2013, the Company acquired Enmax Envision Inc. ("Envision"), a wholly-owned subsidiary of ENMAX Corporation, for $222 in cash. Envision provides telecommunication services to business customers in Calgary. The purpose of the transaction is to expand on the Company's business initiatives and enhance the profile of its telecommunications services in the competitive Calgary business marketplace.

Envision contributed approximately $12 of revenue and $1 of net income for the four month period in fiscal 2013. If the acquisition had occurred on September 1, 2012, revenue and net income would have been approximately $33 and $4, respectively. Acquisition related costs of $3 to effect the transaction have been incurred and are included in acquisition and divestment costs in the statement of income.

A summary of net assets and allocation of consideration is as follows:

	$
Accounts receivable	3
Other current assets	1
Property, plant and equipment	73
Intangibles(1)	87
Goodwill(2)	68
	232
Accounts payable and accrued liabilities	1
Unearned revenue	2
Deferred credits	5
Deferred income tax liability	2
	222

(1) Intangibles is comprised of customer relationships and are being amortized over 15 years.

(2) Goodwill represents the combined value of growth expectations, an assembled workforce and expected synergies and efficiencies from integrating the operations with the Company's existing business. Goodwill of $66 is deductible for income tax purposes.

Assets held for sale

A real estate property of $11, being the estimated fair value less costs to sell, has been classified as held for sale in the statement of financial position at August 31, 2014 and 2013. The estimated fair value has been determined by a commercial real estate service by means of

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

an income capitalization approach using the market rental rate for the area and an appropriate capitalization rate range net of estimated costs of $8 to complete the property to base building specifications and is considered a level 3 valuation. The income capitalization approach has been used as it's an accepted approach used by real estate investors to value income producing properties when income is not expected to vary significantly over time.

4. ACCOUNTS RECEIVABLE

	2014 $	2013 $
Subscriber and trade receivables	**506**	496
Due from related parties *[note 27]*	**–**	1
Miscellaneous receivables	**19**	16
	525	513
Less allowance for doubtful accounts	**(32)**	(27)
	493	486

Included in operating, general and administrative expenses is a provision for doubtful accounts of $38 (2013 – $26).

5. INVENTORIES

	2014 $	2013 $
Subscriber equipment	**114**	93
Other	**5**	3
	119	96

Subscriber equipment includes DTH equipment, DCTs and related customer premise equipment.

6. OTHER CURRENT ASSETS

	2014 $	2013 $
Program rights	**17**	18
Tax indemnity	**1**	1
Prepaid expenses and other	**55**	53
	73	72

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

7. INVESTMENTS AND OTHER ASSETS

	2014 $	2013 $
Publicly traded company	**7**	–
Investments in private entities	**53**	10
	60	10

During 2014, the Company recorded an unrealized loss of $2 in respect of its investment in a publicly traded company (see note 20).

The Company has a portfolio of minor investments in various private entities.

During 2013, the Company sold its 49% interest in ABC Spark. The Company's interest in the results of operations of ABC Spark, which was accounted for using the equity method, is summarized as follows:

	2013 $
Revenue	3
Expenses	(3)
Proportionate share of net income	–

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2014			August 31, 2013		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**4,728**	**2,377**	**2,351**	4,576	2,321	2,255
Digital cable terminals and modems	**833**	**483**	**350**	734	393	341
Satellite audio, video and data network and DTH receiving equipment	**186**	**83**	**103**	149	62	87
Transmitters, broadcasting, communications and production equipment	**104**	**50**	**54**	100	39	61
Land and buildings	**441**	**181**	**260**	447	168	279
Data processing and other	**396**	**169**	**227**	372	173	199
Assets under construction	**307**	**–**	**307**	148	–	148
	6,995	**3,343**	**3,652**	6,526	3,156	3,370

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Changes in the net carrying amounts of property, plant and equipment for 2014 and 2013 are summarized as follows:

	August 31, 2013						August 31, 2014
	Net book value $	Additions $	Transfer $	Amortization $	Disposals $	Writedown $	Net book value $
Cable and telecommunications distribution system	2,255	444	2	(341)	(6)	(3)	2,351
Digital cable terminals and modems	341	209	–	(200)	–	–	350
Satellite audio, video and data network and DTH receiving equipment	87	43	–	(27)	–	–	103
Transmitters, broadcasting, communications and production equipment	61	10	–	(17)	–	–	54
Land and buildings	279	2	–	(20)	(1)	–	260
Data processing and other	199	38	62	(50)	(20)	(2)	227
Assets under construction	148	223	(64)	–	–	–	307
	3,370	969	–	(655)	(27)	(5)	3,652

	August 31, 2012							August 31, 2013
	Net book value $	Business acquisition and divestment $	Additions $	Transfer $	Amortization $	Disposals $	Writedown and transfer to assets held for sale $	Net book value $
Cable and telecommunications distribution system	2,187	17	453	–	(402)	–	–	2,255
Digital cable terminals and modems	352	(5)	160	–	(166)	–	–	341
Satellite audio, video and data network and DTH receiving equipment	24	–	18	59	(13)	(1)	–	87
Transmitters, broadcasting, communications and production equipment	64	–	13	–	(16)	–	–	61
Land and buildings	302	(3)	11	–	(24)	(6)	(1)	279
Data processing and other	206	(1)	49	5	(58)	(2)	–	199
Assets under construction	107	–	129	(64)	–	–	(24)	148
	3,242	8	833	–	(679)	(9)	(25)	3,370

In 2014, the Company recognized a loss of $1 (2013 – $6) on the disposal of property, plant and equipment.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

9. OTHER LONG-TERM ASSETS

	2014 $	2013 $
Equipment costs subject to a deferred revenue arrangement	**247**	255
Customer equipment financing receivables	**12**	23
Credit facility arrangement fees	**2**	2
Other	**22**	26
	283	306

Amortization provided in the accounts for 2014 amounted to $142 (2013 – $258) and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	2014 $	2013 $
Broadcast rights and licenses		
Cable systems	**4,015**	4,015
DTH and satellite services	**1,013**	1,013
Television broadcasting	**1,313**	1,313
	6,341	6,341
Program rights and advances	**293**	282
Goodwill		
Non-regulated satellite services	**88**	88
Cable and telecommunications systems	**73**	73
Television broadcasting	**537**	537
	698	698
Wireless spectrum licenses	**191**	191
Other intangibles		
Software	**256**	216
Customer relationships	**79**	85
Trademark and brands	**38**	38
	373	339
Net book value	**7,896**	7,851

Broadcast rights and licenses, trademark, brands and wireless spectrum licenses have been assessed as having indefinite useful lives. While licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licenses $	Trademark and brands $	Goodwill $	Wireless spectrum licenses $
September 1, 2012	6,675	41	715	191
Business acquisition *[note 3]*	–	–	68	–
Business divestment *[note 3]*	(245)		(81)	–
Transfer to assets held for sale *[note 3]*	(89)	(3)	(4)	–
August 31, 2013 and 2014	**6,341**	**38**	**698**	**191**

Intangibles subject to amortization are as follows:

	August 31, 2014			August 31, 2013		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Program rights and advances	**699**	**389**	**310**	1,023	723	300
Software	**227**	**139**	**88**	252	144	108
Software under construction	**168**	**–**	**168**	108	–	108
Customer relationships	**87**	**8**	**79**	87	2	85
	1,181	**536**	**645**	1,470	869	601
Less current portion of program rights			**17**			18
			628			583

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2012	274	119	76	–	469
Business acquisition *[note 3]*	–	–	–	87	87
Additions	432	37	34	–	503
Transfers	–	2	(2)	–	–
Amortization	(401)	(49)	–	(2)	(452)
Disposals	–	(1)	–	–	(1)
Transfer to assets held for sale	(5)	–	–	–	(5)
August 31, 2013	300	108	108	85	601
Additions	414	20	64	–	498
Transfers	–	4	(4)	–	–
Amortization	(404)	(43)	–	(6)	(453)
Write-down	–	(1)	–	–	(1)
August 31, 2014	**310**	**88**	**168**	**79**	**645**

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2014 and the recoverable amount of each of the cash generating units exceeded their carrying value by a significant amount.

In August 2011 the Company discontinued construction of a traditional wireless network and during fiscal 2013, granted an option to Rogers to acquire the AWS licenses for $350 (see note 3). As the price exceeds the carrying value of the AWS licenses and considering recent spectrum transactions in North America, the carrying value of the licenses continues to be appropriate.

A hypothetical decline of 10% and 20% in the recoverable amount of the broadcast rights and licenses for each cash generating unit as at March 1, 2014 would not result in any impairment loss. Further, any changes in economic conditions since the impairment testing conducted as at March 1, 2014 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2014.

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2014, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	8.0%	1.0%	6.00X
Satellite	9.5%	0.0%	4.50X
Media	8.5%	0.0%	6.50X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	9.0%	5.0%	3.0%
Satellite	7.0%	n/a	3.0%
Media	8.0%	n/a	2.0%

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014 $	2013 $
Trade	**44**	71
Program rights	**74**	70
CRTC benefit obligations	**30**	50
Accrued liabilities	**335**	324
Accrued network fees	**107**	102
Interest and dividends	**215**	219
Related parties *[note 27]*	**23**	23
	828	859

12. PROVISIONS

	Asset retirement obligations $	Restructuring(1) $	Other $	Total $
September 1, 2012	8	–	19	27
Additions	1	–	9	10
Reversal	–	–	(1)	(1)
Payments	–	–	(1)	(1)
August 31, 2013	9	–	26	35
Additions	–	58	12	70
Reversal	–	–	(4)	(4)
Payments	–	(45)	(3)	(48)
August 31, 2014	9	13	31	53
Current	–	–	26	26
Long-term	9	–	–	9
August 31, 2013	9	–	26	35
Current	–	13	31	44
Long-term	9	–	–	9
August 31, 2014	**9**	**13**	**31**	**53**

(1) During the current year, the Company announced changes to the structure of its operating units to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. In connection with the restructuring of its operations, the Company recorded $58 primarily in respect of the approximate 400 management and non-customer facing roles which were affected by the organizational changes. The majority of the $13 of remaining costs are expected to be paid within the next six months.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

13. LONG-TERM DEBT

		2014			2013		
	Effective interest rates %	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
7.50% due November 20, 2013	7.50	–	–	–	350	–	350
6.50% due June 2, 2014	6.56	–	–	–	599	1	600
6.15% due May 9, 2016	6.34	**298**	**2**	**300**	296	4	300
5.70% due March 2, 2017	5.72	**398**	**2**	**400**	398	2	400
5.65% due October 1, 2019	5.69	**1,244**	**6**	**1,250**	1,243	7	1,250
5.50% due December 7, 2020	5.55	**497**	**3**	**500**	496	4	500
4.35% due January 31, 2024	4.35	**497**	**3**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,417**	**33**	**1,450**	1,417	33	1,450
		4,351	**49**	**4,400**	4,799	51	4,850
Cdn variable rate senior notes- Due February 1, 2016		**299**	**1**	**300**	–	–	–
		4,650	**50**	**4,700**	4,799	51	4,850
Other							
Burrard Landing Lot 2 Holdings Partnership	4.68	**40**	**–**	**40**	19	–	19
Total consolidated debt		**4,690**	**50**	**4,740**	4,818	51	4,869
Less current portion (2)		–	–	–	950	1	951
		4,690	**50**	**4,740**	3,868	50	3,918

(1) Long-term debt is presented net of unamortized discounts and finance costs.

(2) Current portion of long-term debt at August 31, 2013 included the 7.50% senior notes, the 6.50% senior notes and the amount due within one year on the Partnership's mortgage bonds.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50 and matures in January 2017. The credit facility has a feature whereby the Company may request an additional $500 of borrowing capacity so long as no event of default or pending event of default has occurred and is continuing or would occur as a result of the increased borrowings. No lender has any obligation to participate in the requested increase unless it agrees to do so at its sole discretion. Funds are available to the Company in both Canadian and US dollars. At August 31, 2014, $1 has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2013 was 3.49%. No amounts were drawn under the credit facility during 2014. The effective interest rate on the revolving term facility for 2014 was 3% (2013 – 3%).

Subsequent to year end, the Company borrowed US $330 under its credit facility (see note 31).

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On January 31, 2014, the Company issued $500 senior notes at a rate of 4.35% due January 31, 2024 and $300 floating rate senior rates due February 1, 2016. The $300 senior notes bear interest at an annual rate equal to three month CDOR plus 0.69%.

Other

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt retirement costs

On February 18, 2014, the Company redeemed the 6.50% senior notes. In connection with the early redemption, the Company incurred costs of $7 and wrote-off the remaining finance costs of $1.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2014.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2015	–
2016	600
2017	400
2018	–
2019	–
Thereafter	3,740
	4,740

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Interest expense

	2014 $	2013 $
Interest expense – long-term debt	**281**	314
Amortization of senior notes discounts	**2**	2
Interest income – short-term (net)	**(5)**	(2)
Capitalized interest	**(12)**	(5)
	266	309

14. OTHER LONG-TERM LIABILITIES

	2014 $	2013 $
Pension liabilities *[note 26]*	**174**	123
CRTC benefit obligations	**48**	77
Post retirement liabilities *[note 26]*	**18**	15
Program rights liabilities	**5**	5
Other	**6**	3
	251	223

15. DEFERRED CREDITS

	2014 $	2013 $
IRU prepayments	**461**	472
Equipment revenue	**128**	131
Connection fee and installation revenue	**19**	14
Proceeds on wireless spectrum license option *[note 3]*	**50**	50
Refundable deposit on wireless spectrum license *[note 3]*	**200**	200
Deposit on future fibre sale	**2**	2
Other	**2**	3
	862	872

Amortization of deferred credits for 2014 amounted to $89 (2013 – $144) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2014 amounted to $12 (2013 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2014 amounted to $69 (2013 – $121). Amortization of connection fee and installation revenue for 2014 amounted to $8 (2013 – $11) and was recorded as revenue.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

16. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

2014	2013		2014	2013
Number of securities			$	$
22,420,064	22,520,064	Class A Shares	**2**	2
439,606,326	430,306,542	Class B Non-Voting Shares	**2,887**	2,660
12,000,000	12,000,000	Series A Preferred Shares	**293**	293
474,026,390	464,826,606		**3,182**	2,955

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2014 and 2013 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2012	22,520,064	2	421,188,697	2,455
Stock option exercises	–	–	3,564,856	79
Dividend reinvestment plan	–	–	5,552,989	126
August 31, 2013	22,520,064	2	430,306,542	2,660
Class A Share conversions	(100,000)	–	100,000	–
Stock option exercises	–	–	3,431,548	81
Dividend reinvestment plan	–	–	5,768,236	146
August 31, 2014	22,420,064	2	439,606,326	2,887

Series A Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") represent a series of class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

17. SHARE-BASED COMPENSATION

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2014 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2014, 24,760,910 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2014		2013	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**19,555,441**	**21.71**	21,162,672	21.09
Granted	**1,633,000**	**25.76**	2,777,000	23.07
Forfeited	**(1,279,330)**	**22.12**	(819,375)	21.06
Exercised(1)	**(3,431,548)**	**20.46**	(3,564,856)	19.24
Outstanding, end of year	**16,477,563**	**22.34**	19,555,441	21.71

(1) The weighted average Class B Non-Voting Share price for the options exercised was $26.12.

The following table summarizes information about the options outstanding at August 31, 2014:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$16.30 – $22.27	7,700,283	5.13	19.74	6,177,783	19.54
$22.28 – $26.99	8,777,280	5.04	24.62	6,095,280	24.54

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2014 was $2.61 (2013 – $2.53) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2014	2013
Dividend yield	**4.18%**	4.37%
Risk-free interest rate	**1.61%**	1.37%
Expected life of options	**5 years**	5 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**19.6%**	21.7%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Restricted share unit plan

The Company has an RSU plan whereby RSUs are granted to eligible employees and officers of the Company. An RSU is a right that tracks the value of one Class B Non-Voting Share and permits the holder to receive a cash payment equal to the market value once RSUs are vested. Market value is determined by the average of the closing prices of the Class B Non-Voting Shares on the Toronto Stock Exchange for the five trading days preceding the applicable payment date as determined by the Company. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with RSUs equal to the dividend. RSUs do not have voting rights as there are no shares underlying the plan.

The RSUs granted during 2011 vested during 2013 and the Company paid $6 to settle the obligation. During 2013, $3 was recorded as compensation expense.

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2014, $3 was recognized as compensation expense (2013 – $4). The carrying value and intrinsic value of DSUs at August 31, 2014 was $13 and $11, respectively (August 31, 2013 – $10 and $8, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the

[all amounts in millions of Canadian dollars except share and per share amounts]

ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions.

During 2014, $5 was recorded as compensation expense (2013 – $5).

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2014	2013
Numerator for basic and diluted earnings per share ($)		
Net income	**887**	784
Deduct: net income attributable to non-controlling interests in subsidiaries	**(30)**	(38)
Deduct: dividends on Series A Preferred Shares	**(14)**	(13)
Net income attributable to common shareholders	**843**	733
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**457**	448
Effect of potentially dilutive securities(1)	**2**	2
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**459**	450
Earnings per share		
Basic	**1.84**	1.64
Diluted	**1.84**	1.63

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2014, 1,729,227 options were excluded from the diluted earnings per share calculation (2013 – 8,201,720).

19. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Preferred share dividends

Holders of the Series A Preferred Shares are entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%.

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2014 and 2013 are as follows:

2014		2013	
Class A Voting Share	Class B Non-Voting Share	Class A Voting Share	Class B Non-Voting Share
1.0775	1.0800	$1.0050	$1.0075

The dividends per share recognized as distributions to holders of Series A Preferred Shares was $1.125 during each of the years ended August 31, 2014 and 2013.

On June 26, 2014, the Company declared dividends of $0.28125 per Series A Preferred Share which were paid on September 30, 2014. The total amount paid was $3 of which $1 was not recognized as at August 31, 2014.

On October 23, 2014, the Company declared dividends of $0.091458 per Class A Voting Share and $0.091667 per Class B Non-Voting Share payable on each of December 30, 2014, January 29, 2015 and February 26, 2015 to shareholders of record at the close of business on December 15, 2014, January 15, 2015 and February 13, 2015, respectively.

On October 23, 2014, the Company declared dividends of $0.28125 per Series A Preferred Share payable on December 31, 2014 to holders of record at the close of business on December 15, 2014.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

20. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive loss and the related income tax effects for 2014 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**3**	**–**	**3**
Adjustment for hedged items recognized in the period	**(6)**	**1**	**(5)**
Unrealized loss on available-for-sale investment	**(2)**	**–**	**(2)**
	(5)	**1**	**(4)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(58)**	**16**	**(42)**
	(63)	**17**	**(46)**

Components of other comprehensive income and the related income tax effects for 2013 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	5	(1)	4
Adjustment for hedged items recognized in the period	(1)	–	(1)
	4	(1)	3
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	4	(1)	3
	8	(2)	6

Accumulated other comprehensive loss is comprised of the following:

	2014 $	2013 $
Items that may subsequently be reclassified to income		
Fair value of derivatives	**–**	2
Unrealized loss on available-for-sale investment	**(2)**	–
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(131)**	(89)
	(133)	(87)

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2014 $	2013 $
Employee salaries and benefits	**945**	900
Purchases of goods and services	**2,092**	2,022
	3,037	2,922

22. OTHER LOSSES

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. During the prior year, the category included amounts related to the electrical fire and resulting water damage to the Company's head office in Calgary, Alberta that occurred during the fourth quarter of 2012. In fiscal 2013, the Company received insurance advances of $5 related to its claim and incurred costs of $13 in respect of ongoing recovery activities. In addition, during the prior year, the Company decided to discontinue further construction of a real estate project which resulted in a write-down of $14. During the current year, the category includes additional proceeds of $6 related to the aforementioned insurance claim and also includes a refund of $5 from the Canwest CCAA plan implementation fund and a write-down of $6 in respect of discontinued capital projects.

23. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2014 $	2013 $
Deferred tax assets	**26**	–
Deferred tax liabilities	**(1,105)**	(1,142)
Net deferred tax liability	**(1,079)**	(1,142)

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licenses, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Foreign exchange on long-term debt and fair value of derivative instruments $	Total $
Balance at September 1, 2012	(133)	(840)	(271)	33	137	3	(1,071)
Recognized in statement of income	(18)	(14)	4	(27)	(63)	(3)	(121)
Recognized in other comprehensive loss	–	–	–	–	(1)	(1)	(2)
Recognized on business disposition and other	11	41	–	–	–	–	52
Balance at August 31, 2013	(140)	(813)	(267)	6	73	(1)	(1,142)
Recognized in statement of income	(37)	(5)	107	–	(19)	–	46
Recognized in other comprehensive income	–	–	–	–	16	1	17
Balance at August 31, 2014	**(177)**	**(818)**	**(160)**	**6**	**70**	**–**	**(1,079)**

The Company has capital loss carryforwards of approximately $61 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying Canadian statutory rates to income before income taxes for the following reasons:

	2014 $	2013 $
Current statutory income tax rate	**26.0%**	25.9%
Income tax expense at current statutory rates	**311**	276
Net increase (decrease) in taxes resulting from:		
Non-taxable portion of capital gains	**(8)**	–
Effect of tax rate changes	**–**	10
Recognition of previously unrecognized tax losses	**(1)**	(12)
Other	**6**	9
Income tax expense	**308**	283

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Due to Canadian provincial enacted corporate income tax rate changes, the statutory income tax rate for the Company increased from 25.9% in 2013 to 26.0% in 2014.

The components of income tax expense are as follows:

	2014 $	2013 $
Current income tax expense	**355**	174
Current income tax recovery from recognition of previously unrecognized tax losses	**(1)**	(12)
	354	162
Deferred tax expense (recovery) related to temporary differences	**(46)**	111
Deferred tax expense from tax rate changes	**–**	10
Income tax expense	**308**	283

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Cable, Media and Satellite, all of which are substantially located in Canada. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as restructuring costs and amortization. During 2014, the Company announced that its residential and enterprise services currently included in the Cable and Satellite segments will be realigned into new Consumer and Business segments. The Company expects to commence reporting under the operating segments of Consumer, Business and Media in fiscal 2015.

	2014				
	Cable $	Media $	Satellite $	Intersegment eliminations $	Total $
Revenue	3,365	1,096	878	(98)	5,241
Operating income before restructuring costs and amortization	1,632	353	277	–	2,262
Restructuring costs[1]					(58)
Amortization[1]					(765)
Operating income					1,439
Operating income before restructuring costs and amortization as % of revenue	48.5%	32.2%	31.5%	–	43.2%
Interest[1]					264
Burrard Landing Lot 2 Holdings Partnership					2
					266
Cash taxes[1]					359
Corporate/other					(5)
					354
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	964	18	42	–	1,024
Equipment costs (net)	24	–	47	–	71
	988	18	89	–	1,095
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					976
Additions to equipment costs (net)					56
Additions to other intangibles					84
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					1,116
Decrease in working capital and other liabilities related to capital expenditures					(7)
Decrease in customer equipment financing receivables					15
Less: Proceeds on disposal of property, plant and equipment					(26)
Less: Satellite services equipment profit[2]					(3)
Total capital expenditures of equipment costs (net) reported by segments					1,095

See notes following 2013 business segment table.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

	2013				
	Cable $	Media $	Satellite $	Intersegment eliminations $	Total $
Revenue	3,266	1,106	860	(90)	5,142
Operating income before amortization	1,582	353	285	–	2,220
Amortization(1)					(854)
Operating income					1,366
Operating income before amortization as % of revenue	48.4%	31.9%	33.1%	–	43.2%
Interest(1)					308
Burrard Landing Lot 2 Holdings Partnership					1
					309
Cash taxes(1)					300
Corporate/other					(138)
					162
Capital expenditures and equipment costs (net) by segment					
Capital expenditures	825	31	42	–	898
Equipment costs (net)	42	–	81	–	123
	867	31	123	–	1,021
Reconciliation to Consolidated Statements of Cash Flows					
Additions to property, plant and equipment					802
Additions to equipment costs (net)					132
Additions to other intangibles					69
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows					1,003
Increase in working capital related to capital expenditures					33
Increase in customer equipment financing receivables					(9)
Less: Proceeds on disposal of property, plant and equipment					(3)
Less: Satellite services equipment profit(2)					(3)
Total capital expenditures of equipment costs (net) reported by segments					1,021

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

(2) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment.

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and license fees for each transponder from the time the satellite becomes operational for a period of 15 years.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

(ii) The Company has various long-term operating commitments as follows:

	$
2015	737
2016 – 2019	801
Thereafter	361
	1,899

Comprised of:	$
Program related agreements	771
Lease of transmission facilities, circuits and premises	452
Lease and maintenance of transponders	571
Exclusive rights to use intellectual property	71
Other (primarily maintenance and support contracts)	34
	1,899

Included in operating, general and administrative expenses are transponder maintenance expenses of $80 (2013 – $66) and rental expenses of $107 (2013 – $99).

(iii) At August 31, 2014, the Company had capital expenditure commitments in the normal course of business of $45. The commitments are primarily in respect of 2015 and 2016.

(iv) As part of the CRTC decisions approving the acquisition of the broadcasting businesses in 2012 and 2011, the Company is required to contribute approximately $182 in new benefits to the Canadian broadcasting system over seven years. The obligations have been recorded in the income statement at fair value, being the sum of the discounted future net cash flows using appropriate discount rates. At August 31, 2014, the remaining expenditure commitments in respect of these obligations is $88 which will be funded over future years through fiscal 2019.

(v) In late fiscal 2014, the Company partnered with Rogers to form shomi, a new subscription video-on-demand service which launched in beta in early November 2014. The Company's initial capital commitment is $67 of which, $29 was funded subsequent to year end.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2014, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2014, the guarantee instruments amounted to $4. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2015.

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $37 (2013 – $35) of which $24 (2013 – $23) was expensed and the remainder capitalized.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives and several registered pension plans for certain employees in the media business. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2014 $	2013 $
Unregistered plans		
Accrued benefit obligation	**493**	406
Fair value of plan assets	**330**	302
	163	104
Registered plans		
Accrued benefit obligation	**171**	152
Fair value of plan assets	**160**	133
	11	19
Accrued benefit liabilities and deficit	**174**	123

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. The plan was also amended to provide funding of up to 90% of the accrued benefit obligation over a period of six years. Employees are not required to contribute to this plan. Subsequent to year end, the Company made contributions of $25 to a Retirement Compensation Arrangement Trust ("RCA").

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

During fiscal 2013, the Company established an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan. Annually the employer is to fund 90% of the accrued benefit obligation. Subsequent to year end, the Company made contributions of $2 to an RCA.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2014 Total $	SERP $	ERP $	2013 Total $
Accrued benefit obligation, beginning of year	**404**	**2**	**406**	378	–	378
Current service cost	**9**	**3**	**12**	8	2	10
Past service cost	**–**	**–**	**–**	4	–	4
Interest cost	**19**	**–**	**19**	17	–	17
Payment of benefits to employees	**(10)**	**–**	**(10)**	(9)	–	(9)
Remeasurements:						
Effect of changes in demographic assumptions	**1**	**–**	**1**	12	–	12
Effect of changes in financial assumptions	**51**	**1**	**52**	(15)	–	(15)
Effect of experience adjustments	**13**	**–**	**13**	9	–	9
Accrued benefit obligation, end of year	**487**	**6**	**493**	404	2	406
Fair value of plan assets, beginning of year	**302**	**–**	**302**	–	–	–
Employer contributions	**13**	**2**	**15**	300	–	300
Interest income	**15**	**–**	**15**	13	–	13
Payment of benefits	**(10)**	**–**	**(10)**	(9)	–	(9)
Return on plan assets, excluding interest income	**8**	**–**	**8**	(2)	–	(2)
Fair value of plan assets, end of year	**328**	**2**	**330**	302	–	302
Accrued benefit liability and plan deficit, end of year	**159**	**4**	**163**	102	2	104

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2014 is 15.9 years and 23.4 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2014 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**163**	**1**
Fixed income securities	**90**	**–**
Equity securities – Canadian	**24**	**–**
Equity securities – Foreign	**51**	**1**
	328	**2**

All fixed income and equity securities have a quoted price in active market.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2014 SERP %	2014 ERP %	2013 SERP %	2013 ERP %
Discount rate	**4.00**	**4.00**	4.75	4.75
Rate of compensation increase	**5.00**(1)	**3.00**	5.00(1)	3.00

Benefit cost for the year	2014 SERP %	2014 ERP %	2013 SERP %	2013 ERP %
Discount rate	**4.75**	**4.75**	4.50	4.20
Rate of compensation increase	**5.00**(1)	**3.00**	5.00(1)	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2014 by $85. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $16.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2014 Total $	SERP $	ERP $	2013 Total $
Current service cost	**9**	**3**	**12**	8	2	10
Past service cost	**–**	**–**	**–**	4	–	4
Interest cost	**19**	**–**	**19**	17	–	17
Interest income	**(15)**	**–**	**(15)**	(13)	–	(13)
Pension expense	**13**	**3**	**16**	16	2	18

Registered pension plans

The Company has a number of funded defined benefit pension plans which provide pension benefits to certain unionized and non-unionized employees in the media business. Benefits under these plans are based on the employees' length of service and final average salary. These plans are regulated by the Office of the Superintendent of Financial Institutions, Canada in accordance with the provisions of the Pension Benefits Standards Act and Regulations. The regulations set out minimum standards for funding the plans.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2014 $	2013 $
Accrued benefit obligation, beginning of year	**152**	149
Current service cost	**5**	5
Interest cost	**7**	7
Employee contributions	**1**	1
Payment of benefits to employees	**(10)**	(7)
Remeasurements:		
Effect of changes in demographic assumptions	**1**	5
Effect of changes in financial assumptions	**15**	(4)
Effect of experience adjustments	**–**	(4)
Accrued benefit obligation, end of year	**171**	152
Fair value of plan assets, beginning of year	**133**	116
Employer contributions	**12**	13
Employee contributions	**1**	1
Interest income	**7**	6
Payment of benefit	**(10)**	(7)
Administrative expenses paid from plan assets	**(1)**	(1)
Return on plan assets, excluding interest income	**18**	5
Fair value of plan assets, end of year	**160**	133
Accrued benefit liability and plan deficit, end of year	**11**	19

The weighted average duration of the defined benefit obligation at August 31, 2014 is 16.7 years.

The plan assets at August 31, 2014 are comprised of investments in pooled funds as follows:

	$
Equity – Canadian	**40**
Equity – Foreign	**21**
Fixed income – Canadian	**99**
	160

The underlying securities in the pooled funds have quoted prices in an active market.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans.

Accrued benefit obligation	2014 %	2013 %
Discount rate	**4.09**	4.84
Rate of compensation increase	**3.00**	3.50

Benefit cost for the year	2014 %	2013 %
Discount rate	**4.84**	4.67
Rate of compensation increase	**3.50**	3.50

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2014 by $31. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $6.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2014 $	2013 $
Current service cost	**5**	5
Interest cost	**7**	7
Interest income	**(7)**	(6)
Administrative expenses	**1**	1
Pension expense	**6**	7

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Other benefit plans

The Company has post employment benefits plans that provide post retirement health and life insurance coverage to certain retirees in the media business and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2014 $	2013 $
Accrued benefit obligation and plan deficit, beginning of year	**15**	19
Current service cost	**1**	–
Interest cost	**1**	1
Payment of benefits to employees	**(1)**	(1)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	(4)
Effect of changes in financial assumptions	**2**	–
Accrued benefit obligation and plan deficit, end of year	**18**	15

The weighted average duration of the benefit obligation at August 31, 2014 is 18.0 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $2 (2013 – $1) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2014 were 4.75% and 4.00%, respectively (2013 – 4.50% and 4.75%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2014 by $4.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2015 are $38.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by JR Shaw, members of his family and the companies owned and/or controlled by them (the "Shaw Family Group"). All of the Class A Shares held by the Shaw Family Group are subject to a voting trust agreement entered into by such persons. The Shaw Family Group is represented as Directors, Senior Executive and Corporate Officers of the Company.

During the prior year, the Company and the Shaw Family Group formed a partnership to make equity investments in companies with new and emerging technologies that have the potential to provide future benefit to the Company. The Shaw Family Group contributed $1 for its 20% interest in the partnership.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated in Canada.

	Ownership Interest	
	August 31, 2014	**August 31, 2013**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Shaw Media Inc.	**100%**	100%
Shaw Television Limited Partnership	**100%**	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2014 $	**2013 $**
Short-term employee benefits	**42**	39
Post-employment pension benefits	**17**	17
Share-based compensation	**3**	6
	62	62

Transactions

The Company paid $2 (2013 – $3) for direct sales agent, collection, marketing, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $7 (2013 – $7) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $12 (2013 – $nil) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2013, the Company had $3 owing in respect of these transactions (2013 – $1).

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $120 (2013 – $125), advertising fees of $1 (2013 – $1) and programming fees of $1 (2013 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $1 (2013 – $nil), uplink of television signals for $5 (2013 – $5), Internet services and lease of circuits for $1 (2013 – $1) and programming content of $1 (2013 – $1). At August 31, 2014, the Company had a net of $20 owing in respect of these transactions (2013 – $21) and commitments in respect of network program agreements of $15 which are included in the amounts disclosed in note 25.

During 2013 the Company sold to Corus its 49% interest in ABC Spark and acquired from Corus its 20% interest in Food Network Canada. The Company had a non-interest bearing promissory note of $48 owing to Corus at August 31, 2013 in respect of these transactions. In addition, the Company agreed to sell to Corus its 50% interest in its two French-language channels, Historia and Series+. The sale of Historia and Series+ closed in 2014 (see note 3) at which time the Company settled the aforementioned promissory note.

The Company provided Corus with television advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $10 (2013 – $10) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2014, the Company had a remaining commitment of $101 in respect of the office space lease which is included in the amounts disclosed in note 25.

Specialty Channels

The Company previously held interests in a number of specialty television channels which were subject to either joint control or significant influence. The Company paid network fees of $1 (2013 – $2) and provided uplink of television signals of $nil (2013 – $1) to these channels during the year.

28. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. Other notes and debentures are valued based upon current trading values for similar instruments.

(vi) Other long-term liabilities

The fair value of program rights payable, estimated by discounting future cash flows, approximates their carrying value.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation.

The carrying values and estimated fair values of derivative financial instruments, an investment in a publicly traded company and long-term debt are as follows:

	August 31, 2014		August 31, 2013	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Derivative financial instruments(2)	–	–	3	3
Investment in publicly traded company(1)	**7**	**7**	–	–
Liabilities				
Long-term debt(1)	**4,690**	**5,390**	4,818	5,275

(1) Level 1 fair value – determined by quoted market prices.

(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

As at August 31, 2013, US currency forward purchase contracts qualified as hedging instruments and were designated as cash flow hedges.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2014, the Company entered into forward contracts to purchase US $135 over a period of 12 months commencing in September 2013 at an average exchange rate of 1.0403 Cdn. At August 31, 2014 the Company had no forward contracts in respect of US dollar commitments.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's banking facility is based on floating rates, while the senior notes are primarily fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2014, 94% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The Company held no foreign exchange forward contracts at August 31, 2014. A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates and the variable rate senior notes are based on CDOR. There is no significant market risk arising from interest rates fluctuating by reasonably possible amounts from their actual values at August 31, 2014.

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

A change of one dollar in the market price per share of the Company's publicly traded investment would change other comprehensive loss by $1 at August 31, 2014.

At August 31, 2014, a one dollar change in the Company's Class B Non-Voting Shares would not have had an impact on net income in respect of the Company's DSU plan.

Credit risk

Accounts receivable in respect of Cable and Satellite divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. For the Media division, a significant portion of sales are made to advertising agencies which results in some concentration of credit risk. At August 31, 2014, approximately 61% (2013 – 59%) of the $201 (2013 – $196) of advertising receivables is due from the ten largest accounts. The largest amount due from an advertising agency is $20 (2013 – $19) which is approximately 10% (2013 – 10%) of advertising receivables. As at August 31, 2014, the Company had accounts receivable of $493 (August 31, 2013 – $486), net of the allowance for doubtful accounts of $32 (August 31, 2013 – $27). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the subscriber account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2014, $129 (August 31, 2013 – $135) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. Credit is extended and credit limits are determined based on credit assessment criteria and credit quality. In addition, the Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

[all amounts in millions of Canadian dollars except share and per share amounts]

The Company's undiscounted contractual maturities as at August 31, 2014 are as follows:

	Accounts payable and accrued liabilities[(1)] $	Other long-term liabilities $	Long-term debt repayable at maturity $	Interest payments $
Within one year	828	–	–	267
1 to 3 years	–	5	1,000	506
3 to 5 years	–	–	–	439
Over 5 years	–	–	3,740	2,190
	828	5	4,740	3,402

(1) Includes accrued interest and dividends of $215.

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from operations

	2014 $	2013 $
Net income	**887**	784
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**768**	858
Program rights	**(10)**	(31)
Deferred income tax expense (recovery)	**(46)**	121
CRTC benefit obligation funding	**(58)**	(52)
Gain on sale of media assets *[note 3]*	**(49)**	–
Gain on sale of cablesystem *[note 3]*	**–**	(50)
Divestment costs *[note 3]*	**–**	5
Gain on sale of associate *[note 3]*	**–**	(7)
Share-based compensation	**3**	4
Defined benefit pension plans	**(5)**	(288)
Accretion of long-term liabilities and provisions	**6**	9
Debt retirement costs *[note 13]*	**8**	–
Write-down of properties *[note 22]*	**6**	14
Other	**14**	13
Funds flow from operations	**1,524**	1,380

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

(ii) Interest and income taxes paid and interest and distributions received and classified as operating activities are as follows:

	2014 $	2013 $
Interest paid	**283**	317
Income taxes paid (net of refunds)	**137**	154
Interest received	**5**	2
Distributions received	**1**	2

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2014 $	2013 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**146**	126
Non-monetary exchange:		
Exchange of fibre assets for network capacity leases	**5**	–
Lease transaction:		
Capitalization of transponders under lease renewal	**5**	–
Issuance of promissory note:		
Transactions with a related party *[notes 3 and 27]*	**–**	48

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), and bank indebtedness less cash and cash equivalents.

	August 31, 2014 $	August 31, 2013 $
Cash and cash equivalents	**(637)**	(422)
Long-term debt repayable at maturity	**4,740**	4,869
Share capital	**3,182**	2,955
Contributed surplus	**64**	72
Retained earnings	**1,589**	1,242
	8,938	8,716

Shaw Communications Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2014 and 2013
[all amounts in millions of Canadian dollars except share and per share amounts]

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

On December 5, 2013 Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to 20,000,000 Class B Non-Voting Shares during the period December 9, 2013 to December 8, 2014.

The Company's banking facility is subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow and operating cash flow to fixed charges. At August 31, 2014, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

31. SUBSEQUENT EVENT

On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest, Inc, ("ViaWest") for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada. The Company is currently in the process of completing the purchase price allocation which it expects to include in its interim financial statements for the first quarter of fiscal 2015. The operating results of ViaWest will be included in the Company's consolidated financial statements from the date of acquisition. In connection with the transaction, the Company incurred $4 of acquisition related costs in fiscal 2014 for professional fees paid to lawyers, consultants and advisors and had a contingent liability of $6 at August 31, 2014 in respect of such fees.

Shaw Communications Inc.
FIVE YEARS IN REVIEW
August 31, 2014

($millions except per share amounts)	IFRS 2014	IFRS 2013	IFRS 2012	IFRS 2011	Canadian GAAP 2010[3]
Revenue					
Cable	**3,365**	3,266	3,193	3,096	2,932
Satellite	**878**	860	844	827	805
Media	**1,096**	1,106	1,053	891	–
	5,339	5,232	5,090	4,814	3,737
Intersegment	**(98)**	(90)	(92)	(73)	(19)
	5,241	5,142	4,998	4,741	3,718
Operating income before restructuring costs and amortization[1]					
Cable	**1,632**	1,582	1,502	1,510	1,453
Satellite	**277**	285	293	289	307
Media	**353**	353	332	252	–
	2,262	2,220	2,127	2,051	1,760
Restructuring costs	**(58)**	–	–	–	–
Amortization	**(765)**	(854)	(808)	(735)	(656)
Operating income	**1,439**	1,366	1,319	1,316	1,104
Net income[4]	**887**	784	761	559	534
Net income attributable to equity shareholders[4]	**857**	746	728	540	534
Earnings per share					
Basic	**1.84**	1.64	1.62	1.23	1.23
Diluted	**1.84**	1.63	1.61	1.23	1.23
Funds flow from operations[2]	**1,524**	1,380	1,299	1,433	1,377
Statement of Financial Position					
Total assets	**13,250**	12,732	12,722	12,588	10,154
Long-term debt (including current portion)	**4,690**	4,818	5,263	5,257	3,982
Cash dividends paid per share					
Class A	**1.058**	0.993	0.942	0.897	0.858
Class B	**1.060**	0.995	0.945	0.900	0.860

(1) See key performance drivers on page 21.

(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows. Excludes cash used in operating activities in respect of discontinued operations of $10 and $1 in 2011 and 2010, respectively.

(3) Comparative period for fiscal 2010 is reported under Canadian GAAP and has not been restated in accordance with IFRS.

(4) Excludes loss from discontinued operations of $89 and $1 for 2011 and 2010, respectively.

Shaw Communications Inc.
SHAREHOLDERS' INFORMATION
August 31, 2014

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating and an unlimited number of Class B Non-Voting participating shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares. At August 31, 2014, the Company had 22,420,064 Class A Shares and 439,606,326 Class B Non-Voting Shares outstanding. The Class A Shares are listed on the TSX Venture Stock Exchange under the symbol SJR.A. The Class B Non-Voting Shares are listed on the Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The Series A Preferred Shares are listed on the Toronto Stock Exchange under the symbol SJR.PR.A.

Trading Range of Class B Non-Voting Shares on the Toronto Stock Exchange

Quarter	High Close	Low Close	Total Volume
September 1, 2013 to August 31, 2014			
First	25.49	23.92	46,219,235
Second	26.03	24.41	64,436,621
Third	27.34	25.48	43,542,516
Fourth	27.95	26.25	41,824,057
Closing price, August 31, 2014	27.39		

Share Splits

There have been four splits of the Company's shares; July 30, 2007 (2 for 1), February 7, 2000 (2 for 1), May 18, 1994 (2 for 1), and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base (ACB) was reduced for tax purposes.

Shaw Communications Inc.
CORPORATE INFORMATION
August 31, 2014

DIRECTORS

JR Shaw(4)
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
President
Shaw Communications Inc.

Adrian L. Burns(3)(4)
Corporate Director

George F. Galbraith(3)
Corporate Director

Dr. Richard R. Green(2)
Corporate Director

Dr. Lynda Haverstock(3)
Corporate Director

Gregory John Keating(1)
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien(3)(4)
Corporate Director

Paul K. Pew(1)
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer(1)
Private Investor

Bradley S. Shaw(4)
Chief Executive Officer
Shaw Communications Inc.

Jim Shaw
Vice Chair
Shaw Communications Inc.

JC Sparkman(2)(4)
Corporate Director

Carl E. Vogel(1)
Private Investor; Senior
Advisor to DISH Network

Sheila C. Weatherill(2)
Corporate Director

Willard (Bill) H. Yuill(2)
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS
JR Shaw
Executive Chair

Jim Shaw
Vice Chair

Bradley S. Shaw
Chief Executive Officer

Peter J. Bissonnette
President

Steve Wilson
Executive Vice President,
Corporate Development and
Chief Financial Officer

Jay Mehr
Executive Vice President
and Chief Operating Officer

Barbara Williams
Executive Vice President,
Broadcasting & President,
Shaw Media

Rhonda D. Bashnick
Senior Vice President,
Finance

Peter A. Johnson
Senior Vice President,
General Counsel and
Corporate Secretary

HONORARY SECRETARY:
Louis A. Desrochers, CM, AOE, Q.C., LLD

CORPORATE OFFICE
Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue
S.W., Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: *www.shaw.ca*

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policies are contained in the Information Circular and is also available on Shaw's website, *www.shaw.ca*

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, *www.shaw.ca*

INTERNET HOME PAGE
Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at *www.shaw.ca*

AUDITORS
Ernst & Young LLP

PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
CST Trust Company,
Calgary, AB
Phone: 1-800-387-0825

DEBENTURE TRUSTEE
Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, ON M5J 2Y1
service@computershare.com
Phone : 1-800-564-6253

FURTHER INFORMATION
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at *www.shaw.ca* for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email *investor.relations@sjrb.ca*


Shaw

This is Exhibit 25 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

2015 | Annual Report

Shaw)

The Annual General Meeting of Shareholders will be held on January 14, 2016 at 11:00 am (Mountain Time) at Shaw Court, 630 – 3rd Avenue SW, Calgary, Alberta.

Shaw Communications Inc.
Report to Shareholders
August 31, 2015

Dear Fellow Shareholders,

We are pleased to report solid fiscal 2015 results, a reflection of our commitment to customer service, focus on operational excellence and sound financial management for our shareholders.

Transformation in the Canadian communications sector continued through fiscal 2015 and we embrace the challenges and opportunities presented by evolving consumer preferences, regulatory change, technological advances and adjustments in the Canadian economy. We are genuinely excited about the possibilities for our customers and our business for many years to come.

From Shaw's earliest days, we understood that delivering excellent products and customer service is fundamental to our growth and success. We are proud of the progress we have made to drive excellence in the ways we organize, plan and execute our strategy to achieve our corporate and operational goals. Guiding our operations and all of our decisions is our commitment to delivering exceptional experiences to our customers and viewers.

Operations

In 2015, our Consumer division took a major step forward by reorganizing our customer care operations into seven national centres of expertise – in Victoria, Nanaimo, Vancouver, Kelowna, Winnipeg, Mississauga and Montreal. This realignment adopts global best practices and enables us to specialize our knowledge, expertise, training, management and other processes to better serve our customers.

Our *shomi* joint venture with Rogers Communications to provide subscription based streaming video on demand was made available to all Canadians in 2015. Our work to provide more entertainment choices for customers continues in 2016 as we work closely with partners at Comcast to be the first to bring their market leading cloud-based X1 platform to Canadian viewers. X1 offers a seamless viewing experience across multiple screens and devices – both in and out of the home. We are planning to roll out X1 to our customers through 2016.

We are constantly investing in our network. As people embrace the power of new technology – whether through personal devices, smart home features or new gadgets and tools still on the horizon – the demands on our hybrid fibre-coax network increase. We are committed to enhancing our broadband performance in 2016 through the technology provided by the DOCSIS 3.1 protocol – known as Gigasphere. We know that we are now just scratching the surface of what our network is capable of and we have a plan that will continue to deliver the speed and capacity that our customers want today and into the future. Our promise is simple: our customers will always be ready and always be connected so they never miss a thing.

Shaw Go WiFi is a valued extension of our network that now has nearly 75,000 access points across western Canada and more than two million devices registered. We are committed to further extending the reach of our network so our customers can connect outside the home.

We also made changes in 2015 to improve the performance of our Media division and transform it from a traditional broadcaster to a broader media company. In the shifting global media landscape, success is defined by the ability to engage in and monetize content across all platforms. Our Media team is exploring a number of next generation advertising solutions to ensure that our offering evolves with the expectations of our advertising clients.

Growth

Our plans for growth are robust, yet disciplined. They are designed to ensure that we are making prudent moves and investments to ensure we retain our leadership in the marketplace and create value for our shareholders.

Business Infrastructure Services continues to capitalize on opportunities in its sector. ViaWest extended its reach with the recent opening of new facilities in Oregon and Calgary, and its recently announced move into the eastern U.S. with the acquisition of INetU and its facility in Pennsylvania.

We continue to address significant opportunities that we see in Business Network Services by strengthening our position as a valued advisor to small and medium sized businesses, and promoting our value proposition to "Grow your business with Shaw Business." Notably, in 2015 we worked with a number of global vendor partners to launch our "Smart" suite of flexible and easy to use managed business communications solutions.

Shaw Communications Inc.
Report to Shareholders
August 31, 2015

People

We are proud to support organizations that promote the communities where we work and live. In fiscal 2015, Shaw contributed approximately $60 million in cash and in-kind contributions to charitable and community organizations that work to make our neighbourhoods and cities better. Approximately 80% of this amount went to our multiple partnerships that benefit kids and youth-focused charities under the Shaw Kids Investment Program (SKIP).

Every day, our more than 14,000 employees come to work and serve our customers, viewers and our communities the very best way they can. They deliver time and time again, and we thank them for contributing to the success of our Company. We would also like to commend our management team for their commitment to our customers and their ongoing leadership and thank the members of our Board of Directors for their valued guidance, wisdom and insight.

Finally, we acknowledge the steady hand, sage counsel and unwavering support of Louis A. Desrochers, who passed away peacefully September 28, 2015. Louis was appointed Honourary Corporate Secretary for life in 1998, following decades of providing Shaw with excellent advice, including navigating our first licence application to the CRTC in 1970. We are lucky to have worked so closely with him and to have gained so much from his friendship.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

November 23, 2015

Forward

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. and, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group.

Caution Concerning Forward Looking Statements

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. Such statements include, but are not limited to, statements about future capital expenditures, acquisitions and dispositions, financial guidance for future performance, business strategies and measures to implement strategies, competitive strengths, expansion and growth of Shaw's business and operations and other goals and plans. They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by Shaw in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. These assumptions include, but are not limited to, general economic conditions, interest, income tax and exchange rates, technology deployment, content and equipment costs, industry structure, conditions and stability, government regulation and the integration of recent acquisitions. Many of these assumptions are confidential.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within Shaw's control, may cause Shaw's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to, general economic, market and business conditions; changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies; industry trends and other changing conditions in the entertainment, information and communications industries; Shaw's ability to execute its strategic plans; opportunities that may be presented to and pursued by Shaw; changes in laws, regulations and decisions by regulators that affect Shaw or the markets in which it operates; Shaw's status as a holding company with separate operating subsidiaries; and other factors described in this report under the heading "Known events, trends, risks and uncertainties". The foregoing is not an exhaustive list of all possible factors. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

ABOUT OUR BUSINESS

At Shaw, we are focused to deliver leading network and content experiences for our highly valued customers and viewers.

- our Consumer team connects consumers in their homes and on the go with broadband Internet, Shaw Go WiFi, video and phone
- our Business Network Services team enables businesses to focus on their core strategies with a full suite of connectivity and managed services
- our Business Infrastructure Services team provides hybrid IT solutions, including colocation, managed services, cloud computing and security and compliance for North American enterprises
- our Media team delivers engaging programming to Canadians through dynamic conventional and specialty television channels along with online and over-the-top video platforms

In the following sections we provide select financial highlights and review our strategy, our four divisions, our network and our presence in the communities in which we operate.

Shaw is traded on the Toronto Stock Exchange (SJR.B) and the New York Stock Exchange (SJR) and is included in the S&P/TSX 60 Index.

Select Financial and Operational Highlights

Through an evolving operating and competitive landscape our consolidated business has delivered stable and profitable results in 2015.

	Year ended August 31,		
(millions of Canadian dollars except per share amounts)	**2015**	**2014**	**Change %**
Operations:			
Revenue	**5,488**	5,241	4.7
Operating income before restructuring costs and amortization(1)	**2,379**	2,262	5.2
Operating margin(1)	**43.3%**	43.2%	0.1pts
Net income	**880**	887	(0.8)
Per share data:			
Earnings per share			
Basic	**1.80**	1.84	(2.2)
Diluted	**1.79**	1.84	(2.7)
Weighted average participating shares outstanding during period (millions)	**468**	457	
Funds flow from operations(2)	**1,637**	1,524	7.4
Free cash flow(1)	**653**	698	(6.4)

(1) Refer to Key performance drivers.
(2) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

Subscriber highlights	August 31, 2015	August 31, 2014	Change
Consumer			
Video – Cable	**1,764,523**	1,867,304	(102,781)
Video – Satellite	**811,988**	850,132	(38,144)
Internet	**1,774,374**	1,761,881	12,493
Phone	**1,027,266**	1,110,708	(83,442)
	5,378,151	5,590,025	(211,874)
Business Network Services			
Video – Cable	**77,709**	90,325	(12,616)
Video – Satellite	**31,435**	30,491	944
Internet	**178,167**	168,520	9,647
Phone	**284,785**	264,626	20,159
	572,096	553,962	18,134
	5,950,247	6,143,987	(193,740)

Our Strategy

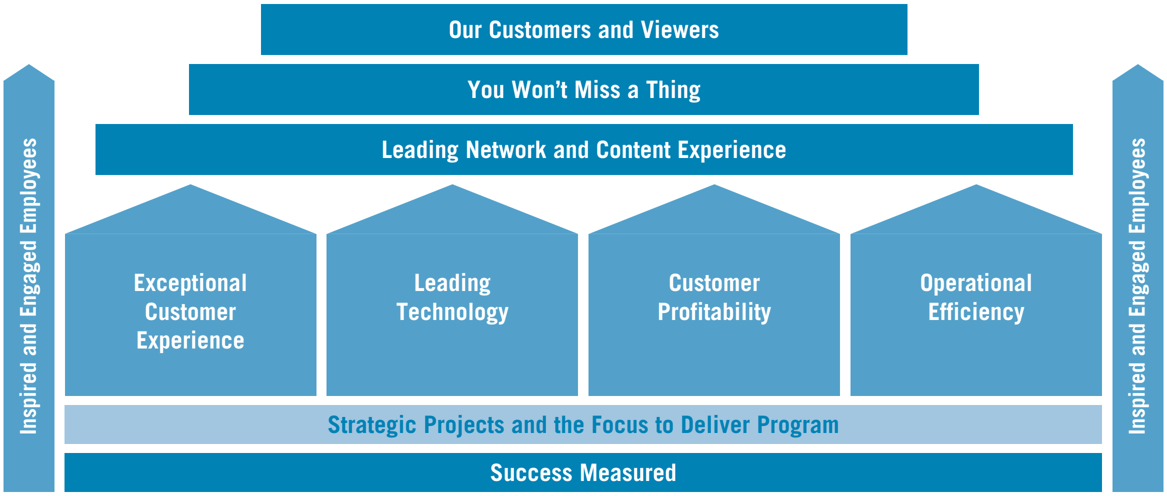
Shaw's corporate strategy places the highest priority on our valued customers and viewers. We have committed to deliver them a leading network and content experience, all centred on our brand promise "Our customers will always be ready and always be connected so they never miss a thing."

Our strategy stands on four strategic pillars which we have identified as the foundation for the decisions we make and the actions we take.

1. Exceptional Customer Experience – we continue to invest in our superior service, advanced user-based product and service design and monitor our performance with daily measurement
2. Leading Technology – we invest in and leverage our network advantage to support emerging technology shifts and add value to our core services in order to ensure alignment of our technology platforms with our technology roadmap
3. Customer Profitability – we focus on disciplined pricing strategies, high value customers and retention to drive improved customer outcomes and profit realization
4. Operational Efficiency – we manage our operating expenses and capital investments in order to drive best-in-class benchmarks for cost structure

Focus to Deliver

With the adoption in 2014 of a program we call "Focus to Deliver" we transformed the way we organize, plan and execute our business to achieve our corporate and operational strategy. The program is designed to enhance our efficiency and growth potential by ensuring business decisions are made in accordance with disciplined customer-centric criteria. As a result, all aspects of our operations, including resource allocation, are prioritized for their impact on our valued customers and viewers.



Adopting Focus to Deliver has driven significant changes at Shaw. In 2014 we:

- realigned our cable and satellite operations to our current Consumer and Business Network Services divisions to improve overall efficiency and enhance our ability to grow as the leading network and content experience company
- combined our Information Technology ("IT") and Engineering teams to form a single Technology and Network Operations team – this new powerful technology team ensures we deliver with greater efficiency and effectiveness in adapting leading technology to better future proof our network and product offering, all in service of continuing to provide our customers and viewers with leading technology
- restructured to better align our organization to best serve our corporate strategy, with investments in procurement, supply chain, marketing, pricing, network architecture and next generation products and, as a result, we eliminated approximately 400 management and non-customer facing roles

and in 2015 we:

- announced a realignment of customer care operations to centralize the Consumer division's knowledge, expertise, training, management and other processes around seven Canadian centres of expertise
- reorganized our Media operations in order to accelerate our evolution from a traditional broadcaster to a multi-platform media business that includes both long and short-form video, branded content, instructional videos, behind-the-scenes content, web content and social media

People

Focus to Deliver has also driven our ongoing progress to better align compensation of our teams with both corporate performance relative to our strategic and operational objectives and individual performance. We are enabling this performance by enhancing training and development for our teams and leadership effectiveness programs for our current and future leaders. Inspiring and engaging our employees to align with our strategy is the cornerstone of our success. We are grateful to have approximately 14,000 employees who are committed to delivering an exceptional network and content experience for our customers, viewers and the communities we serve.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must join global scale initiatives. This ensures that the technology we adopt and invest in is, and continues to be, a standard for the communications industry globally. This approach serves all of our strategic pillars.

This new approach allows us to leverage our current assets where we have strength and expertise, while also ensuring our capital investments are aligned with industry leaders to support the development, maintenance and advancement of new technology where it is impractical for us to do so on a standalone basis. This ensures that there is sufficient capital, resources and commitment to continue advances in innovation, performance and reliability of our services and products. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in purchasing opportunities on a global scale.

We are pleased to have collaborated this year with global leaders on two significant service offerings:

- our planned rollout of the TV Everywhere X1 video platform developed by Comcast (see discussion under "Consumer")
- our "Smart" suite of business services that includes SmartWiFi in collaboration with Cisco's Meraki and SmartVoice with Broadsoft (see discussion under "Business Network Services")

Consumer

	2015		2014	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	**3,752**	**67%(1)**	3,768	70%(1)
Operating income before restructuring costs and amortization(2)	**1,686**	**71%**	1,669	74%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Canadians trust Shaw to connect them to excellent network and content experiences. Our Consumer division was formed in 2014 by bringing together all of our operations that serve residential customers. These customers are served on two platforms.

- Network-Connected – we provide broadband Internet, Shaw Go WiFi, video and phone to customers that are connected to our local and regional hybrid fibre-coax network
- Satellite – we provide video by satellite to customers across Canada

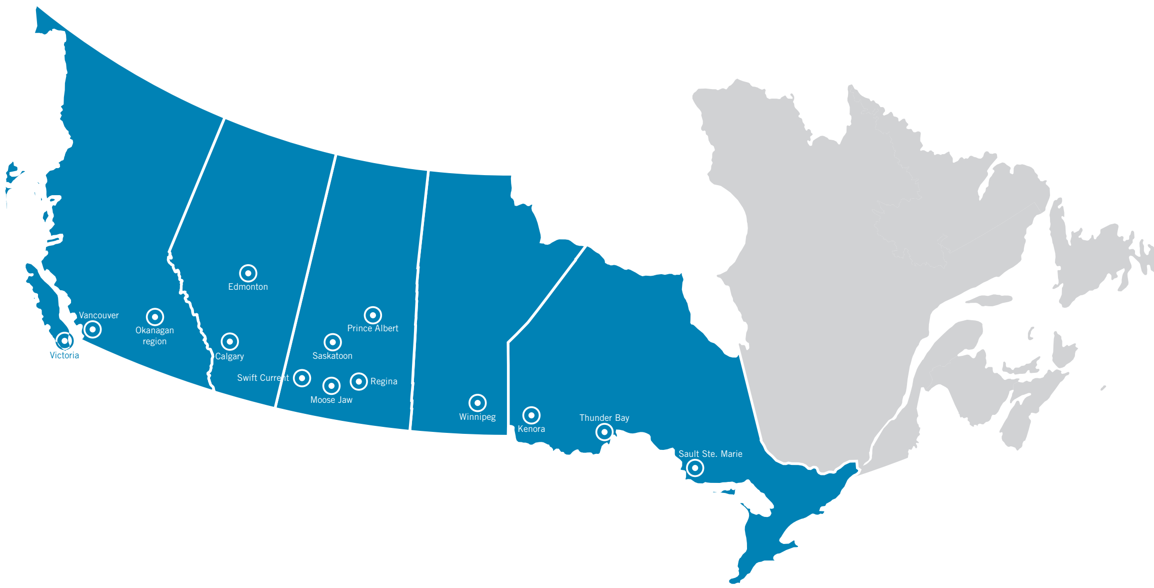
Network-Connected Services

As one of the largest providers of residential communications in Canada, Consumer connects families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario on our hybrid fibre–coax network with broadband Internet, Shaw Go WiFi, video and home phone services to meet their needs at home and on the go.

As our customer needs evolve, we continue to be more flexible with our service offerings. Our customer-centric strategy is designed to deliver high-quality customer service, simplicity, value and choice for our customers.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Network-Connected Service Areas



Internet

Every day, the Internet influences the way we live and connect with local and global communities. Homes have more connected devices with each device using ever greater bandwidth. Our advanced hybrid fibre-coax network offers our residential customers reliable broadband Internet service at levels matched to the data speed, usage and budget that they choose.

In addition, our customers want to be able to experience their Shaw Internet service in the home and on the go. Nearly all current portable consumer communication devices are WiFi enabled. That is why, with Shaw Go WiFi, we have extended the reach and value for our customers of our hybrid fibre-coax network beyond the home and into the communities where we work and play. WiFi is a valued addition for our customer experience that enables our customers to have access to carrier-grade WiFi on the go and as an alternative to mobile service.

To date, we have over two million devices authenticated to Shaw Go WiFi and almost 75,000 access points with coverage in many high traffic public spaces. We are committed to continuing to make Shaw Go WiFi a meaningful extension of the Shaw network for our consumers on the go. See "Shaw's Network" for more information on Shaw Go WiFi.

We are executing on our plan to ensure that our network keeps pace with the expectations for bandwidth, speed and reliability that our customers expect today and will expect in the future. See "Shaw's Network" for a description of our network and some of the advances that we are undertaking.

Video

Our network-connected video services continue to offer a wide selection of television channels (including over 120 high definition ("HD") channels) and over 10,000 on-demand, pay-per-view and subscription movie and television programming titles.

Customers can now choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages and a number of individual channels that we offer on a channel-by-channel basis. In March 2016 we will expand choice with a new small basic service and smaller theme packages and by December 2016 consumers will have the choice to subscribe for the new small basic service and add, on a channel-by-channel basis, any of the channels that we offer.

Our network-connected customers access our television offerings through an interactive, on-screen program guide which includes access to on-demand movies and television programming and pay-per-view content, including scheduled sporting, concerts and other special events. With an enabled video terminal, customers can record and store programs for later viewing and pause and rewind live and recorded programs.

X1 for Network-Connected Consumers

We recognize that, in order to ensure that we can deliver best in class customer experiences, we need to join with global scale initiatives and work with recognized industry leaders. In June 2015 we announced that we have partnered with Comcast to make its market-leading cloud-based X1 video platform available to our customers. The X1 platform offers a seamless viewing experience across multiple screens and devices both in and out of the home.

As a result of our collaboration with Comcast and Cisco, as integrator, we have aligned on the X1 technology roadmap and will be the first in Canada to capitalize on this cloud technology.

We are in the late stages of our successful technical trial of this cloud-based platform and we are progressing on our plan to roll out this new technology through 2016.

In October 2015 we began deployment of the whole home video terminal used by Comcast in place of our current gateway and HD PVR terminals. This terminal operates on our current video platform and is future compatible for the rollout of the X1 in-home experience for network-connected customers.

Phone

Shaw's phone service offers a full-featured residential digital telephone service available in our network-connected homes as a complement to our broadband Internet and video services.

Satellite

Through Shaw Direct, our Consumer team connects families across Canada with video and audio programming by satellite. Shaw Direct customers have access to over 550 digital video channels (including over 220 HD channels) and over 10,000 on-demand, pay-per-view and subscription movie and television programming titles.

Similar to our network-connected video service, satellite subscribers can now choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages and a number of individual channels that we offer on a channel-by-channel basis. In March 2016 we will expand choice with a new small basic service and smaller theme packages and by December 2016 consumers will have the choice to subscribe for the new small basic service and add, on a channel-by-channel basis, any of channels that we offer.

Shaw Direct is one of two satellite video services that are currently available across Canada. While Shaw Direct has many subscribers in urban centres, market penetration for satellite video is stronger in areas having no or limited (generally fewer than 80 channels) cable television coverage. The service is marketed through Shaw Direct and a nation-wide distribution network of third party retailers.

Shaw's commitment to leading technology for Shaw Direct is evidenced on several fronts. With the 2013 launch of Anik G1, Shaw Direct added a third satellite to its platform. This third satellite increased Shaw Direct's capacity by approximately 30%, enabling us to enhance our offerings, improve service quality and provide in-orbit back-up capacity. In addition, Shaw Direct continues to transition to advanced modulation and encoding technology, including MPEG-4, for its programming which allows us to increase channel capacity.

Shaw Direct Satellite Transponders

Satellite	Transponders	Nature of Interest
Anik G1	16 xKu-band	Leased
Anik F2	16Ku-band	Owned
	6 Ku-band	Leased
	2 Ku-band (partial)	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased
Intelsat Galaxy 16	1 Ku-band (partial)	Leased

Video – over-the-top at home and on the go

In addition to television viewing, we know that our customers want to experience our video programming online and on mobile devices at home and on the go. That is why we have expanded our over-the-top offering so that our network-connected and satellite customers can stream live television and a selection of on-demand programming directly to a mobile device through a selection of entertainment, children and sports focused applications, including those within our Media division.

Seasonality

While financial results for Consumer are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's network-connected and satellite Consumer business does not depend on any single customer or concentration of customers.

Business Network Services

	2015		2014	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	**520**	**9%[1]**	484	9%[1]
Operating income before restructuring costs and amortization[2]	**256**	**11%**	240	11%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Our Business Network Services division was formed in 2014 by bringing together all of our operations that serve business and public sector customers – whether connected by our network and/or our satellite services. This reorganization allowed us to better focus on the needs of our business customers and offer a more integrated and consistent customer experience.

Shaw Business

Shaw Business connects customers of all sizes to our network or by satellite with a range of communications services – from home offices and regional businesses to large scale enterprises. While we provide business grade network access to smaller clients on our local and regional hybrid fibre-coax network, our larger enterprise customers are generally connected by fibre to the premise. This is particularly true in Calgary where, with our 2013 acquisition of ENMAX Envision Inc., we significantly increased our fibre footprint and profile in the competitive Calgary marketplace.

The range of services offered by Shaw Business includes:

- Fibre Internet – scalable, symmetrical fibre Internet solutions from 10 Mbps to more than 10Gbps
- Data Connectivity – secure private connectivity for multiple locations

- Voice Solutions – from services that connect customer premise equipment to the phone network and single voice line solutions to robust fully managed hosted unified communications functionality
- Broadcast Video – high-quality video streaming across North America in real time

Business customers are looking for a communications partner that takes care of their communication infrastructure – a partner that will relieve them of the chore and complexity of managing communications so that they can focus on growing their businesses. That is why we collaborated with global scale technology leaders to launch our "Smart" suite of easy to use and flexible managed business communications solutions:

- SmartVoice is a unified communications solution that integrates instant messaging, presence, email, video conferencing and a mobile application – it is built on Broadsoft's BroadWorks platform
- SmartWiFi is a fully-managed internet solution designed to offer seamless secure wireless connectivity for employees and guests in the office and on the go with Shaw Go WiFi – it is deployed over Cisco's Meraki platform

In order to continue to meet our customer needs in the future, we are executing our plan to ensure that our network keeps pace with the expectations for bandwidth, speed and reliability that our customers expect today and will expect in the future. See "Shaw's Network" for a description of our network and the advances that we are undertaking.

Shaw Business is also leading the rollout to customers in western Canada of hybrid IT services available from our recently opened Calgary1 data centre. These services complement the current Shaw Business offering and leverage ViaWest's 16 years of experience as a hybrid IT solutions provider. See discussion under "Business Infrastructure Services."

Wholesale Network Services

Using our national and regional fibre network, we provide services to internet service providers ("ISPs"), other communications companies, broadcasters, governments and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European and Asian networks and other tier-one backbone carriers.

Broadcast Services

Shaw Broadcast Services uses our substantial fibre backbone network to manage one of North America's largest full-service commercial signal distribution networks, delivering more television and radio signals by satellite to cable operators and other multi-channel system operators in Canada and the U.S. than any other single-source satellite supplier. This business is referred to as a "satellite relay distribution undertaking" or "SRDU". Shaw Broadcast Services currently provides SRDU and advanced signal transport services to approximately 350 distribution undertakings and redistributes approximately 500 television signals and over 100 audio signals in both English and French to multi-channel system operators.

Tracking

Shaw Tracking provides asset tracking and communication services primarily in Canada to approximately 600 customers in the transportation industry that have an aggregate of approximately 45,000 vehicles. By satellite, cellular, WiFi and Bluetooth, Shaw Tracking provides immediate real-time visibility to a customer's fleet and freight. Specifically, Shaw Tracking's services integrate with a carrier's fleet management system and capture location, performance, productivity and other measures pertaining to a customer's assets.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Business Infrastructure Services

	2015(1)	
(millions of Canadian dollars)	$	share of consolidated
Revenue	246	4%(2)
Operating income before restructuring costs and amortization(3)	95	4%

(1) Fiscal 2014 numbers are not applicable prior to acquisition in September 2014.
(2) Before intersegment eliminations.
(3) Refer to Key performance drivers.

Our Business Infrastructure Services business unit was formed with the acquisition of Denver, Colorado based ViaWest in September 2014 for US$1.2 billion. We acquired ViaWest as a growth platform in the attractive North American data centre sector and to support the expansion of our business offerings in western Canada.

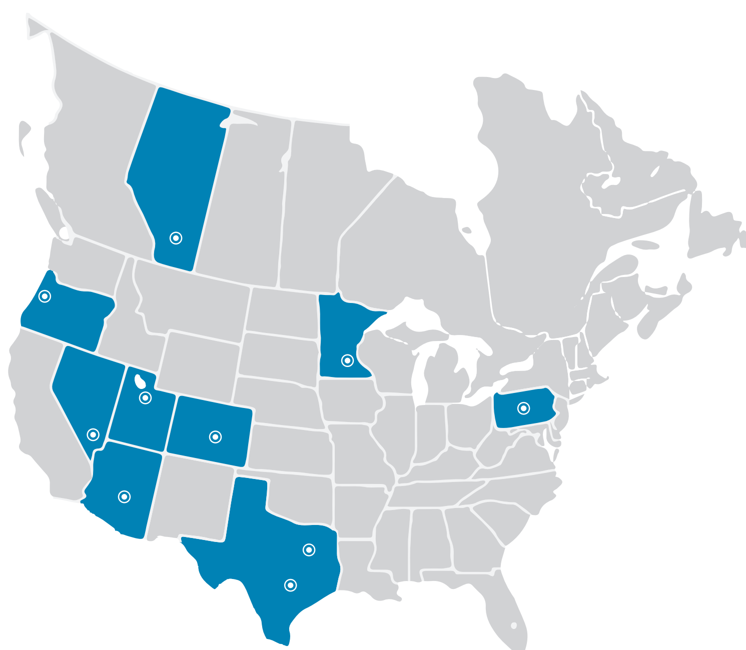
ViaWest is a leading hybrid IT solutions provider, including colocation, managed services, cloud computing, and security and compliance services. It enables businesses to leverage both their existing IT infrastructure and emerging cloud resources to deliver the right balance of cost, scalability and security.

ViaWest has grown from five data centres in two markets in 2004 to 28 data centres (with over 680,000 square feet of usable raised floor space) in eight key western U.S. markets, including Denver, Dallas, Austin, Salt Lake City, Las Vegas, Minneapolis, Phoenix and our recently opened facility in Portland.

ViaWest has the capacity to support further U.S. growth with 75% utilization in its current facilities and substantial expansion capacity at its Denver, Las Vegas, Minneapolis and Portland properties.

Business Infrastructure Services continues to execute on its plans for continued growth. In the fall of 2015 we expanded operations into Canada with the opening of the new Calgary data centre under our Canadian brand "Shaw Data Centre & Cloud Solutions, Powered by ViaWest", where customers will benefit from ViaWest's leading expertise and 16-year track record. ViaWest will also extend its reach into the eastern U.S. with the acquisition of INetU and its facility in Pennsylvania that was announced in November 2015.

Business Infrastructure Services - Cities where Facilities are Located



We also offer expanded security offerings through our recent acquisition of AppliedTrust to offer leading security, compliance, development operations ("DevOps") and infrastructure consulting services that address pressing security and compliance needs of our customers.

Over 1,600 businesses trust their infrastructure and mission critical data to our Business Infrastructure Services team because of the dedicated personnel who provide local, personalized, flexible and tailored solutions to meet the unique business needs of our customers. With our team-based account management approach and 100% uptime commitment, we offer tailored solutions designed for maximum reliability and flexibility.

Media

(millions of Canadian dollars)	2015 $	2015 share of consolidated	2014 $	2014 share of consolidated
Revenue	**1,080**	**19%**[1]	1,096	20%[1]
Operating income before restructuring costs and amortization[2]	**342**	**14%**	353	16%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Our Media team provides Canadians with engaging programming content through one of Canada's largest conventional television networks, Global Television, 19 specialty networks and digital properties.

Shaw acquired its Media operations from Canwest Global Communications Corp. through a series of transactions that concluded in October 2010.

Media derives revenues from two principal sources: advertising revenue and revenue from consumers subscribing to our specialty channels. For both, it is critical that we offer Canadians entertaining content that engages them. Our content is available to Canadians through a variety of dynamic channels, whether conventional or specialty television, online websites or over-the-top platforms. Catering to consumer demand for quality and choice, we strive to offer the best content available to Canadians when and where they choose to consume it.

Conventional Television

Global Television, reaches virtually all English-speaking Canadians through 12 over-the-air conventional television stations. Global Television offers a programming mix of entertainment and news programs aimed primarily at viewers aged 18 to 49. Global Television's line-up includes hit programs such as Bones, The Blacklist, the NCIS franchise, Hawaii Five-O, SuperGirl, Limitless, Rookie Blue, Elementary, The Late Show with Stephen Colbert and three reality series, Survivor, Big Brother and Big Brother Canada.

News

The Global News team produces the news and current affairs content for Global Television. Global News has successful local news programs in every major market, including the only major daily supper hour national news show originating from Vancouver, and is the dominant local news organization in western Canada. Global National, the network's early-evening newscast garners almost a million viewers every weekday.

GlobalNews.ca is Global's online platform that enables Canadians to access Global News coverage wherever and whenever they want, through the web, mobile devices, email alerts, RSS feeds and social media. It features user friendly technology, which automatically scales content to fit any screen size or resolution to create a seamless experience on all browsers and platforms, including tablets and smart phones. New native content advertising opportunities have been incorporated into the site giving advertisers exciting new ways to engage with the Global News audience.

Specialty Channels

Shaw Media operates 19 of Canada's most popular specialty channels, including HGTV Canada, Food Network Canada, Showcase, HISTORY, Slice and National Geographic.

All of our specialty channels are wholly-owned by Shaw with the exception of channels for which we have partnered with global leaders: Food Network Canada, HGTV Canada, DIY Canada (each of the foregoing with Scripps Networks), National Geographic Canada, National Geographic Canada Wild and BBC Canada. Our equity interests in these channels ranges between 50% and 71%, with voting control of 80% or more.

Over-the-top

To meet the changing needs of our conventional and specialty viewing audiences, Media rolled out Global Go and HISTORY Go apps in 2014. These apps allow viewers to watch live TV, full episodes of select shows, clips and video exclusives on popular mobile devices, including WiFi enabled devices.

In November 2014, in partnership with Rogers Communications we launched shomi on a test basis to Shaw and Rogers customers. In August 2015, the service was made available to all Canadians. With a current library of approximately 1,200 films and 15,000 individual episodes in categories curated by experts, shomi offers its subscribers some of the best entertainment available – whenever and wherever they want. shomi may be accessed over-the-top through the service's website and the shomi app and on television through the on-demand libraries of participating television providers.

Advertising

Our Media team is exploring a number of next generation advertising solutions that combine the intelligence of data with the power of television to maintain and grow our advertising business.

We are part of an industry working group that is looking at the development of a common video terminal based measurement system. We are also exploring new ways for advertisers to focus on optimal advertising placement on our programming by identifying generic audience profiles and aggregate lifestyle demographics that can be used to identify relevant "audiences". This allows advertisers to make decisions based on identified demographics to purchase "audiences" rather than shows and time slots. All data collection, analysis and use is designed for compliance with applicable privacy protection laws.

The Media team is also continuing to create opportunities for branded content and product integrations within our shows and brands. As one of the leading lifestyle content providers in Canada, we have a strong slate of context-relevant, original productions into which advertisers can integrate their products. This type of integration yields positive results for the advertisers, generating a positive impact on brand perception, likelihood to purchase and consumer trust in the product.

Through these next generation advertising solutions Shaw is working to ensure that our advertising opportunities evolve with the expectations of our advertising clients to position our Media team as the most innovative media partner for advertisers in our space.

We are also building revenues from our increasingly popular digital platforms along with further syndication opportunities around our strong content.

Through these initiatives and advances in the way we create content, produce and deliver news and develop business, we have moved Media beyond the traditional broadcast model to become a driven media company.

Seasonality

The Media financial results are subject to fluctuations throughout the year due to, among other things, seasonal advertising and viewing patterns. In general, advertising revenues are higher during the fall, the first quarter, and lower during the summer months, the fourth quarter, whereas expenses are incurred more evenly throughout the year. The specialty services depend on a small number of broadcast distribution undertakings ("BDUs") for distribution of their services.

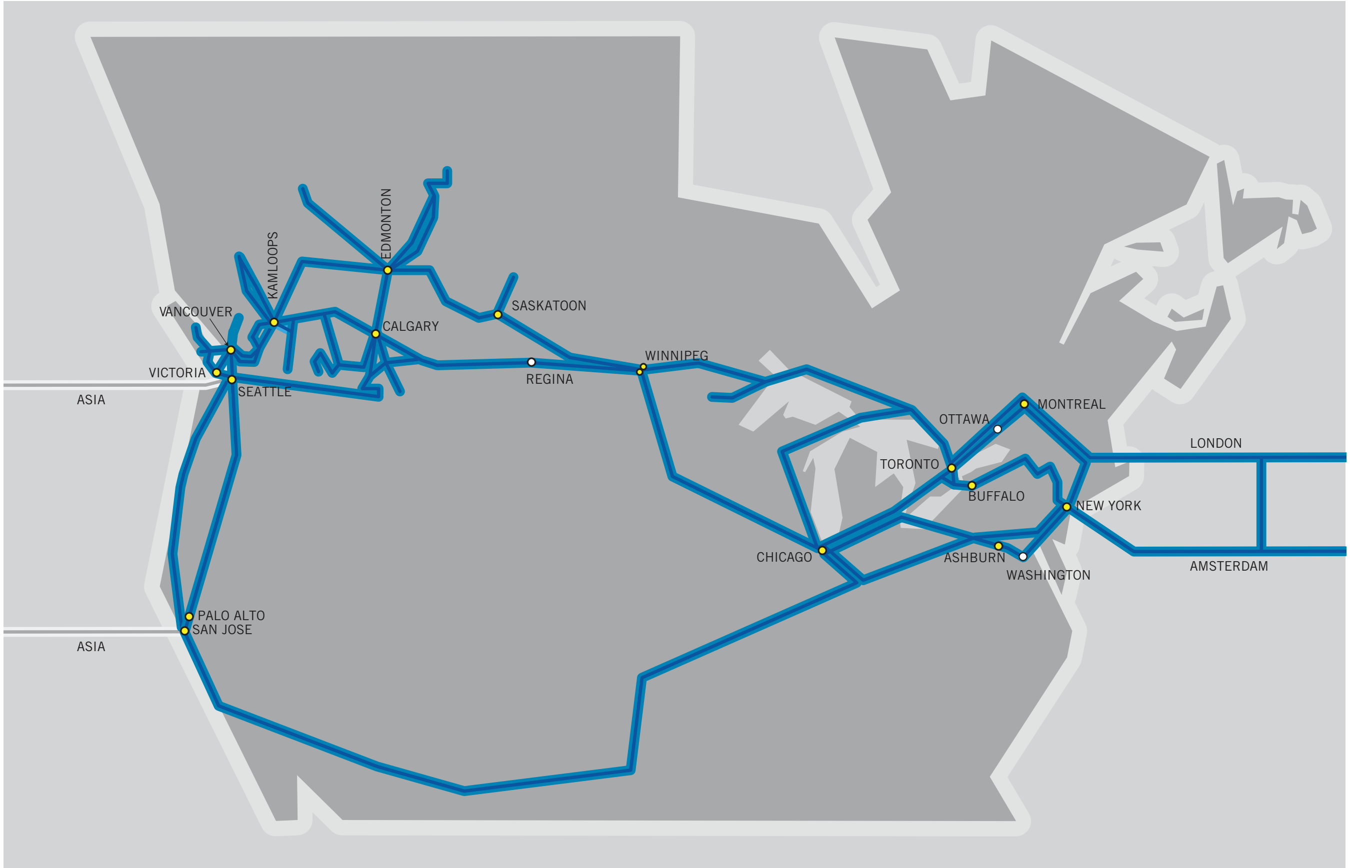
Shaw's Network

At Shaw we are proud of our advanced hybrid fibre-coax network that is comprised of:

- North American fibre backbone
- regional fibre optic and co-axial distribution networks
- local Shaw Go Wifi connectivity

Backbone

The backbone of Shaw's network includes multiple fibre capacity on two diverse cross-North America routes. The southern route principally consists of approximately 6,400 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Winnipeg, Toronto Buffalo, and Chicago). The northern route consists of approximately 4,000 route kilometres of fibre between Edmonton and Toronto (via Saskatoon, Winnipeg and Thunder Bay). These routes, along with a number of secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including Vancouver and Calgary, Vancouver and San Jose, Toronto and New York City, Seattle and Vancouver and Edmonton and Toronto.



Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and co-axial cable distribution networks.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

In 2013 we substantially completed a major upgrade of our co-axial access network to remove analog tier television services. This upgrade liberated bandwidth to significantly increase the capacity of our hybrid fibre-coax network and enabled the expansion of our broadband Internet and other offerings. Digital video terminals were deployed into customer homes that allowed them to receive digital television services in place of former analog services. We referred to this reclamation initiative as the Digital Network Upgrade ("DNU").

In 2014 and 2015, we removed the remaining analog basic services in the Vancouver area, our largest market, in an initiative referred to as "DNU II". As a result, customers in this region only receive digital video services. A similar process to remove remaining analog basic services in our other major markets will begin in 2016.

Shaw continues to optimize the capacity and efficiency of our network and reduce congestion by deploying fibre optic cable deeper into our access networks and closer to our customers. We are also increasing the number of optical serving areas or "nodes" in the network. This is a continual process that we apply year-over-year to increase fibre optic usage in our network and reduce the distance signals travel over coaxial cable to each consumer.

In addition to the initiatives above, our network roadmap in 2016 includes the roll out of the latest version of the Data over Cable Service Interface Specification or "DOCSIS 3.1" which will provide significant added capacity in our hybrid fibre-coax network and lay the groundwork for further speed increases for our broadband customers. DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibrecoax network to transmit data both to and from customer premises.

With the various DNU initiatives, the deployment of fibre closer to our customers, by continuing to increase the number of nodes in our hybrid fibre-coax network and by implementing DOCSIS 3.1 technologies we will continue to significantly improve the performance and capacity of our network for years to come.

Shaw Go WiFi

In 2011 we began deploying WiFi access points to create Canada's most extensive managed carrier-grade WiFi network, Shaw Go WiFi, as a wireless extension of our access network into the community. Shaw Go WiFi extends a customer's broadband experience beyond the home as a valuable extension of our customer network experience as an alternative to relying on mobile service.

We continue to expand our Shaw Go WiFi build-out. To date, we have over 73,000 Shaw Go WiFi access points installed and operating throughout the network and over two million unique active devices using Shaw Go WiFi. In addition, we have entered into agreements with 90 municipalities to extend Shaw Go WiFi service into public areas within those cities.

Shaw GoWiFi

Community Investment

Shaw has a proud and lengthy track record of supporting causes and charities that focus on the health and strength of Canadian communities. For decades, we have been recognized as a philanthropic leader in our communities, providing support to hundreds of small and large organizations.

In fiscal 2015, Shaw contributed approximately $60 million in cash and in-kind support to charitable and community organizations working to make our neighbourhoods and cities better. We also took steps in 2015 to focus our governance, discipline and awareness of our community contributions, reflecting the increased value our stakeholders place on community investment activities when making decisions about doing business with organizations.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Notably, we implemented a strategy in 2015 to focus the majority of our community investment activities on organizations that support the needs of children, youth and millennials. Specifically, investments and causes that positively affect this demographic's health and wellbeing, education and their access to technology and the Internet. This approach has resonated well with customers, employees, and government and community stakeholders, generating positive feedback from local and federal government officials, a significant increase in applications for charitable funding, and significantly higher media coverage of our initiatives. At the end of 2015, 80% of Shaw's community investments supported organizations focused on needs of children and youth.

In 2015, Shaw also brought greater public and stakeholder awareness of our community investment activities under the umbrella of the Shaw Kids Investment Program, known as "SKIP". SKIP is a public platform used to describe our partnerships that benefit kids and youth-focused charities, and is an important vehicle by which we drive brand reputation.

Shaw's partnerships with local and national charities are also used to complement local and regional marketing and sponsorship activities. Combining community investments with traditional business activities speaks to our overall brand values of being a caring and customer centric organization. The most prominent example of this combination is Shaw's partnership with local Calgary business leaders and the PGA TOUR in staging the Shaw Charity Classic, a premier tournament on the Champions Tour that benefits 89 Alberta charities and has generated more than $8 million in charitable contributions in its three-year history. The event has become a fixture on the Calgary tourism calendar, and has been recognized as one of the top tournaments on the Champions Tour. Importantly, the event also strengthens Shaw's business and community relationships.

Additional Information Concerning the Business

Environmental Matters
Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per-item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

Foreign Operations
In September 2014, the Company acquired ViaWest, a U.S.-based provider of hybrid IT solutions with 28 data centres in the U.S. ViaWest comprises substantially all of the assets and operations of the Business Infrastructure Services division.

Shaw Business U.S. Inc., a wholly-owned subsidiary of the Company, has entered into an indefeasible right of use ("IRU") with respect to a portion of a United States fibre network and owns certain other fibre and facilities in the United States. Shaw Business U.S. Inc. commenced revenue-generating operations in the United States in 2002. Its revenues for the year ended August 31, 2015 were not material.

Government Regulations and Regulatory Developments

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various legislation (*Broadcasting Act* (Canada) ("Broadcasting Act"), *Telecommunications Act* (Canada) ("Telecommunications Act"), *Radiocommunication Act* (Canada) ("Radiocommunication Act") and *Copyright Act* (Canada) ("Copyright Act")). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and the Department of Industry ("Industry Canada").

Pursuant to the Broadcasting Act, the CRTC is mandated to supervise and regulate all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires BDUs to give priority to the carriage of Canadian services and to provide efficient delivery of programming services. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. Shaw's businesses are dependent upon licenses (or operate pursuant to an exemption order) granted and issued by the CRTC and Industry Canada.

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable telecommunication services of high-quality. The CRTC has the authority to forbear from regulating certain services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for that service to protect the interests of users. All of Shaw's telecommunication retail services have been forborne from regulation and are not subject to price regulation. However, regulations do impact certain terms and conditions under which these services are provided.

The technical operating aspects of the Company's businesses are also regulated by technical requirements and performance standards established by Industry Canada, primarily under the Telecommunications Act and the Radiocommunication Act.

Pursuant to the Copyright Act, the Copyright Board of Canada oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services.

The sections below include a more detailed discussion of various regulatory matters and recent developments specific to Shaw's businesses.

Licensing and ownership

For each of its cable, direct to home satellite ("DTH") and SRDU undertakings, the Company holds a separate broadcasting license or is exempt from licensing. In November 2010, the majority of cable undertakings owned and operated by the Company were renewed by the CRTC for a five-year period ending August 31, 2015. On February 16, 2015, the CRTC issued an administrative renewal of the licenses for Shaw's undertakings serving British Columbia, Alberta, Saskatchewan, Manitoba and Ontario for a period of one year, to August 31, 2016. The licenses of the Company's DTH and SRDU undertakings were renewed in 2013 by the CRTC for a seven year period ending August 31, 2019. Shaw has never failed to obtain a license renewal for its cable, DTH or SRDU undertakings.

The Company also holds a separate license for each of its conventional over the air ("OTA") television stations and each specialty service. These CRTC broadcasting licenses must be renewed from time to time and cannot be transferred without regulatory approval. The majority of the Company's licenses for its OTA television stations and specialty services are current to August 31, 2016 and are expected to be administratively renewed to August 31, 2017. Under these licenses, the Company is subject to an expenditure-based regulatory regime, whereby the Company must expend a certain percentage of its prior year revenues from its conventional OTA and specialty services on Canadian content, and also on specific categories of Canadian programs defined as "programs of national interest". These obligations are imposed on an individual license basis, but with certain restrictions, may be shared among various conventional OTA and specialty licenses.

The potential for new or increased fees through regulation

In July 2012, the CRTC determined to phase out completely, as of September 2014, the Local Programming Improvement Fund to support local television stations operating in non-metropolitan markets with contributions from licensed BDUs.

CRTC Regulations require licensed cable BDUs to obtain the consent of an OTA broadcaster to deliver its signal in a distant market. The Regulations provide that DTH undertakings may distribute a local over-the-air television signal without consent within the province of origin, but must obtain permission to deliver the over-the-air television signal beyond the province of origin unless the DTH distribution undertaking is required to carry the signal on its basic service. Broadcasters may assert a right to limit distribution of distant signals or to seek remuneration for the distribution of their signals in distant markets on the basis of these Regulations.

The Copyright Board is considering a proposed tariff for the retransmission of programming in distant television stations for the years 2014 through 2018. The tariff proposed by the retransmission rights collectives would, if approved, represent a significant increase in the per subscriber rates payable for the retransmission of programming in distant signals. The Company has objected to the tariff on behalf of its cable and DTH satellite divisions and is participating in the current hearing.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Let's Talk TV regulatory framework

In October 2013, the CRTC initiated a "conversation with Canadians about the future of television", commonly referred to as "Let's Talk TV", which led to a major review of the regulatory and policy framework for the Canadian television broadcasting system and a series of policy decisions in 2015. The new policy framework will require licensed BDUs to offer a $25 entry-level service offering (basic service) by March 2016. BDUs will be allowed to offer a larger "first-tier offering". By March 2016, all discretionary services (not offered on the basic service) must be offered either on a standalone basis or in packages of up to ten programming services. On or after December 1, 2016, these services must be offered both on a standalone basis and in packages of up to ten programming services. These changes will significantly impact BDUs' customer management systems and may create market uncertainty for both BDUs and programming services. Additional uncertainty may result from the elimination of genre protection and changes to access rules. The CRTC has made new regulations, which will come into force on December 1, 2015, governing simultaneous substitution. These new regulations may result in rebates (BDU errors) or loss of privileges (broadcaster errors). The CRTC has also introduced new codes governing the relationship between BDUs and their customers, the "Television Service Provider Code of Conduct", and the relationship between distributors and programmers, the "Wholesale Code". The CRTC has, as well, prohibited 30-day cancellation policies for voice, Internet and broadcasting distribution services. A proceeding on local and community television may result in changes to the policies and funding regimes governing community channels and local television stations.

Access rights

For its network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. For its network Shaw also requires access to construct facilities in roadways and other public places. Under the Telecommunications Act, Shaw may do so with the consent of the municipality.

New media and Internet

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage.

The CRTC has decided to not impose a levy on the revenue of exempt digital media undertakings to support Canadian new media content and instead issued an exemption order for VOD services offered both by licensed BDUs and direct to consumer over the Internet, such as shomi. These services benefit from virtually the same flexibility as services operating under the digital media exemption order (including the ability to offer exclusive programming) and are subject to similar restrictions on offering a service on an exclusive or preferential basis or conferring an undue preference or disadvantage.

Third Party Internet Access

Shaw is mandated by the CRTC to allow independent ISPs to provide Internet services at premises served by Shaw's network ("Third Party Internet Access" or "TPIA"). In 2014-2015, the CRTC completed a review of the wholesale wireline telecommunications policy framework, including TPIA, and extended mandated wholesale access services to include fibre-to-the-premise facilities, which will coincide with a shift to a new disaggregated wholesale Internet access service to be phased in over the next three years. The new disaggregated model will increase the number of interconnection points within the networks of wholesale providers, such as Shaw. Depending on how the model is implemented, Shaw may need to adjust its network design and configuration.

Within the coming year, the CRTC also plans to review the competitor quality of service indicators and the rate rebate plan for competitors to ensure alignment with the new wholesale services framework. As part of this review, the CRTC may extend quality of service obligations to providers of wholesale Internet services.

CRTC basic services proceeding

In April 2015, the CRTC initiated a comprehensive review of basic telecommunications services to determine what services (e.g. telephone and broadband) are required by all Canadians to fully participate in the digital economy, whether there should be changes to the subsidy regime and national contribution mechanism to fund expansion or adoption of broadband services in

Canada, and what the respective roles of the private sector, the CRTC and government should be in providing telecommunications services. Currently, the national contribution fund overseen by the CRTC provides subsidies for local phone services in high cost serving areas and video relay service. Canadian telecommunications service providers, including Shaw, are required to contribute to the fund.

Other legislation

Canada's anti-spam legislation (together with the related regulations "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. To ensure compliance with CASL, Shaw reviewed and updated its current practices with respect to marketing and other communications with customers and its practices regarding computer program installations.

On March 10, 2015, Bill C-13, *An Act to amend the Criminal Code, the Canada Evidence Act, the Competition Act and the Mutual Legal Assistance in Criminal Matters Act* ("Bill C-13") came into force. Bill C-13 expands the lawful access powers of the Government and introduces new requirements for telecommunications providers to preserve and produce subscriber information. Almost all of the newly proposed measures under Bill C-13 are subject to judicial oversight and do not require the provision of information without a warrant or discharge of a burden of proof.

On June 18, 2015, Bill S-4, *An Act to amend the Personal Information Protection and Electronic Documents Act and to make a consequential amendment to another Act"* ("Bill S-4") received Royal Assent. Bill S-4 will introduce a mandatory record-keeping and notification system applicable with respect to breaches of privacy respecting the personal information held by Shaw, and penalties for failure to comply with these new requirements. In addition, Bill S-4 modifies the standard for obtaining consent for the collection, use and retention of personal information, creating a higher burden for organizations.

Digital transition and repurposing of spectrum

In July 2009, the CRTC identified the major markets where it expected conventional television broadcasters to convert their full-power OTA analog transmitters to digital transmitters by August 31, 2011. The conversion from analog to digital freed up spectrum for government auction to mobile providers. The Company completed the digital transition in all mandatory markets as of August 31, 2011. Since then, the Company has been converting transmitters in non-mandatory markets with a view to completion in 2016, a condition of the CRTC's approval of the Canwest Global acquisition. On December 18, 2014, Industry Canada launched a consultation to consider repurposing some of the 600 MHz spectrum band currently used by our Media division and other broadcasters for OTA transmission. At the same time, Industry Canada introduced a moratorium on applications to modify existing television broadcasting certificates and on any new licensing in the spectrum band pending the consultations and related processes. Shaw has, accordingly, requested from the CRTC an extension of the time line to complete the full slate of analog to digital conversions.

On August 14, 2015, Industry Canada confirmed its intent to proceed with repurposing some of the 600 MHz spectrum band for commercial mobile use and to jointly establish a new allotment plan in collaboration with the United States. Accommodating this change will require our Media division to install new equipment or reconfigure existing equipment at affected sites and may have an impact on signal quality and coverage. Industry Canada has not yet decided whether broadcasters will be reimbursed for their costs of facilitating this transition, stating that this decision is the first step in a multi-year repurposing process and that consideration of compensation to broadcasters was not a part of this phase.

Limits on non-Canadian ownership and control for broadcasting undertakings

Non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. Neither the holding company nor the licensee may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC.

The same restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act, the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian. In June 2012, the Telecommunications Act was amended to remove Canadian ownership requirements for wireline and wireless telecommunications carriers with annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues. This may lead to greater levels of competition in the Canadian telecommunications market.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

Financial Measures

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before one-time items like restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

Relative increases period-over-period in operating income before restructuring costs and amortization and in operating margin are indicative of the Company's success in delivering valued products and services, and engaging programming content to its customers in a cost-effective manner.

(millions of Canadian dollars)	Year ended August 31, 2015	2014
Operating income	**1,432**	1,439
Add back (deduct):		
Restructuring costs	**52**	58
Amortization:		
Deferred equipment revenue	**(78)**	(69)
Deferred equipment costs	**164**	142
Property, plant and equipment, intangibles and other	**809**	692
Operating income before restructuring costs and amortization	**2,379**	2,262

Operating margin
Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

Free cash flow
Free cash flow is calculated as operating income before restructuring costs and amortization, less interest, cash taxes paid or payable, capital expenditures (on an accrual basis and net of proceeds on capital dispositions and adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), adjusted to exclude share-based compensation expense, less cash amounts associated with funding the new and assumed CRTC benefit obligations related to the acquisition of Shaw Media as well as excluding non-controlling interest amounts that are consolidated in the operating income before restructuring costs and amortization, capital expenditure and cash tax amounts. Free cash flow also includes changes in receivable related balances with respect to customer equipment financing transactions as a cash item, and is adjusted for recurring cash funding of pension amounts net of pension expense. Dividends paid on the Company's Cumulative Redeemable Rate Reset Preferred Shares are also deducted.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow including operating income before restructuring costs and amortization, CRTC benefit obligation funding, and non-controlling interest amounts continue to be reported on a segmented basis. Capital expenditures (on an accrual basis net of proceeds on capital dispositions) and equipment costs (net) are reported on a combined basis for Consumer and Business Network Services due to the common infrastructure while Business Infrastructure Services and Media are separately reported. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Shaw Communications Inc.

Management's Discussion and Analysis
August 31, 2015

The Company uses free cash flow as a measure of the Company's ability to repay debt and return cash to shareholders. Consolidated free cash flow is calculated as follows:

	Year ended August 31,	
(millions of Canadian dollars)	**2015**	**2014[3]**
Revenue		
Consumer	**3,752**	3,768
Business Network Services	**520**	484
Business Infrastructure Services	**246**	–
Media	**1,080**	1,096
	5,598	5,348
Intersegment eliminations	**(110)**	(107)
	5,488	5,241
Operating income before restructuring costs and amortization[1]		
Consumer	**1,686**	1,669
Business Network Services	**256**	240
Business Infrastructure Services	**95**	–
Media	**342**	353
	2,379	2,262
Capital expenditures and equipment costs (net):[2]		
Consumer and Business Network Services	**954**	1,077
Business Infrastructure Services	**152**	–
Media	**16**	18
	1,122	1,095
Accelerated Capital Fund Investment[1]	**(150)**	(240)
Total	**972**	855
Free cash flow before the following	**1,407**	1,407
Less		
Interest	**(281)**	(264)
Cash taxes	**(375)**	(359)
Other adjustments:		
Non-cash share-based compensation	**4**	3
CRTC benefit obligation funding	**(31)**	(58)
Non-controlling interests	**(26)**	(31)
Pension adjustment	**(45)**	(5)
Customer equipment financing	**13**	18
Preferred share dividends	**(13)**	(13)
Free cash flow	**653**	698
Operating margin[1]		
Consumer	**44.9%**	44.3%
Business Network Services	**49.2%**	49.6%
Business Infrastructure Services	**38.6%**	n/a
Media	**31.7%**	32.2%

(1) Refer to Key performance drivers.
(2) Per Note 24 to the audited Consolidated Financial Statements.
(3) Restated to reflect the change in segment reporting whereby residential and enterprise services that were included in the Cable and Satellite segments are now realigned into new Consumer and Business Network Services segments.

Accelerated capital fund

During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from several strategic transactions. The accelerated capital initiatives were funded through this fund and not cash generated from operations. Key investments included the Calgary data centres, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the Shaw Go WiFi network, and additional innovative product offerings related to Shaw Go and other applications to provide an enhanced customer experience. Approximately $110 million was invested in fiscal 2013, $240 million was invested in fiscal 2014 and $150 million invested in fiscal 2015.

Statistical Measures

Subscriber counts (or Revenue Generating Units ("RGUs")), including penetration and bundled customers

The Company measures the count of its customers in its Consumer and Business Network Services divisions. Cable video subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Satellite video subscribers are counted in the same manner as cable video customers except that they also include seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone lines includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

RGUs represent the number of products sold to customers and includes Video (cable and satellite subscribers), Internet customers, and Phone lines. As at August 31, 2015 the Company had approximately 5.9 million RGUs.

Subscriber counts, or RGUs, and penetration statistics measure market share and also indicate the success of bundling and pricing strategies.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses.

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

The Media division's subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are aired or displayed on the Company's digital properties and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DCT and DTH equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Tracking equipment revenue and costs

Shaw Tracking equipment revenue is recognized over the period of the related service contract for airtime, which is generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurs incremental direct costs including equipment costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. Corporate departments such as Technology and Network Operations ("TNO"): TNO is involved in overall planning and development of the cable/Internet/Digital Phone infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TNO devote considerable efforts towards the development of systems to support Digital Phone, WiFi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Digital Phone infrastructure: Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity for Internet, Digital Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity, including the DNU project, and the WiFi build.
3. Subscriber-related activities such as installation of new drops and Internet and Digital Phone services: The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable and satellite and media businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist primarily of amounts allocated to broadcast rights and licenses which represent identifiable assets with indefinite useful lives.

Broadcast rights and licenses in the cable and satellite businesses are comprised of broadcast authorities including licenses and exemptions from licensing that allow access to homes and subscribers in a specific area that are identified on a business combination with respect to the acquisition of shares or assets of a BDU.

Broadcast licenses in the media business are licenses to operate conventional and specialty services that are identified on a business combination with respect to the acquisition of shares or assets of a broadcasting undertaking.

The Company has concluded that the broadcast rights and licenses have indefinite useful lives since there are no legal, regulatory, contractual, economic or other factors that would prevent the Company's license renewals or limit the period over which these assets will contribute to the Company's cash flows. Goodwill and broadcast rights and licenses are not amortized but are assessed for impairment on an annual basis in accordance with IAS 36 "Impairment".

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses.

Other intangibles include software that is not an integral part of the related hardware, customer relationships as well as a trademark and brands. Software is amortized on a straight-line basis over their estimated useful lives ranging from three to ten years. Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over the estimated useful life of 15 years.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit

("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, Media and Data Centres. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Employee benefit plans

As at August 31, 2015, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives and various registered defined benefit plans for certain unionized and non-unionized employees. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefit Obligation at End of Fiscal 2015	Pension Expense Fiscal 2015
Weighted Average Discount Rate – Non-registered Plans	4.10%	4.00%
Weighted Average Discount Rate – Registered Plans	4.10%	4.09%
Impact of: 1% decrease – Non-registered Plans	$ 84	$ 4
Impact of: 1% decrease – Registered Plans	$ 31	$ 3

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees, equipment and service purchases, program rights and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During the year, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. In addition, the Company provided Corus with television advertising spots in return for radio and television advertising.

During 2014, the Company closed the sale of its 50% interest in two French-language channels, Historia and Series+, to Corus.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership. During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations.

Key management personnel and board of directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncement

The adoption of the following standard effective September 1, 2014 had no impact on the Company's consolidated financial statements.

- IFRIC 21 *Levies,* provides guidance on when to recognize a financial liability imposed by a government, if the levy is accounted for in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or where the timing and amount of the levy is certain.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.
- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are

to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018.

- IFRS 9 *Financial Instruments: Classification and Measurement*, replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements".

Competition and technological change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has reduced the traditional lines between telecommunications, Internet and broadcasting services and further expands the competitive landscape. Shaw may face competition in the future from other technologies being developed or yet to be developed. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology, programming and customer service, and through acquisitions, there can be no assurance that these investments will be sufficient to maintain Shaw's market share or performance in the future.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw, its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase.

Consumer video

Shaw's Consumer video services, delivered through both our network-connected and satellite platforms, compete with other distributors of video and audio signals, including telephone companies offering video services, other satellite-based video services, other competitive cable television undertakings and OTA local and regional broadcast television signals. We also compete increasingly with unregulated over-the-top video services and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online has increased and will continue to increase competition to Shaw's Consumer video services. Our satellite services also compete with illegal satellite services including grey and black market offerings.

We expect that competition, including aggressive discounting practices by competitors to gain market share, will continue to increase.

Consumer Internet

High-speed Internet access services are principally provided through cable modem and digital subscriber line technology, and increasingly through fibre to the home. Shaw competes with a number of different types of ISPs offering residential Internet access including independent service providers, traditional telephone companies, wireless providers and resellers making use of TPIA to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading and interactive gaming. As described further under "Shaw's Network", Shaw continues to expand the capacity and efficiency of its network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth, however there can be no assurance that our investments in network capacity will continue to meet this increasing demand.

Consumer phone

Shaw's competitors for Consumer phone services include traditional telephone companies, competitive local exchange carriers, non-facilities-based Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of such competitors have larger operational and financial resources than Shaw and are well established with residential customers in their respective markets. In addition, there is a continuing trend toward households opting to rely on wireless voice services in place of landline services such as ours. These developments may negatively affect the business and prospects of our Consumer phone services.

Business Network Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Competitors of Shaw Business include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition.

Shaw Broadcast Services faces competition principally from one other operating SRDU in Canada. In February 2010, an additional company was licensed by the CRTC to provide both satellite video and SRDU services in Canada, but has not yet commenced service. Shaw Broadcast Services also faces competition from the expansion of fibre distribution systems delivering distant U.S. and Canadian conventional television signals into territories previously served only by SRDU operators.

Business Infrastructure Services

Shaw's hybrid IT services business operates in a highly competitive market that includes telecommunications companies, carriers, ISPs, managed services providers, large real estate investment trusts and other data centre operators, many of which are well-established in the areas where they operate. Ongoing consolidation within the industry has created, and is expected to continue to create, large organizations having larger operational and financial resources than Shaw.

Media

The conventional and specialty television business and the advertising markets in which they operate are highly competitive. Numerous broadcast and specialty television networks, as well as online advertising platforms and websites, compete for subscribers and advertising revenues. Shaw's ability to compete successfully depends on a number of factors, including its ability to secure popular television and other programming rights for all platforms, including traditional linear broadcast rights and non-linear rights, in order to achieve high distribution levels and attract advertising. Shaw's ability to continue to attract advertising customers also depends on its ability to meet the evolving expectations of its advertising customers.

Impact of regulation

As more fully discussed under "Government Regulations and Regulatory Developments", a majority of our Canadian business activities are subject to regulations and policies administered by Industry Canada and/or the CRTC. Shaw's operations and financial results are affected by changes in regulations, policies and decisions, including changes in interpretation of existing regulations by courts, the government or the regulators, in particular the CRTC, Industry Canada, the Competition Bureau and the Copyright Board. This regulation relates to, and may have an impact on, among other things, licensing, competition, programming carriage and terms of carriage, strategic transactions and the potential for new or increased fees. Changes in the regulatory regime may have a material adverse effect on Shaw, its operations and/or its financial results.

Economic conditions

The Canadian and U.S. economies are affected by uncertainty in global financial and equity markets and slowdowns in global economic growth. Changes in economic conditions may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Interest rates, foreign exchange rates and capital markets
Shaw has the following financial risks in its day-to-day operations:

(a) Interest rates: Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include:

1. banking facilities as more fully described in Note 13 to the Consolidated Financial Statements, and

2. various Canadian denominated senior notes and debentures with varying maturities issued in the public markets as more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are primarily fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

As at August 31, 2015, 78% of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) Foreign exchange: A portion of Shaw's debt, capital expenditures, revenues and operating expenses are denominated in U.S. dollars – both for ViaWest and other operations of Shaw. In addition, Shaw's net investment in ViaWest is exposed to foreign exchange risk related to fluctuations in exchange rates between the Canadian and U.S. dollar. This risk is mitigated by certain U.S. dollar denominated debt which is designated as a hedge of the net investment. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar may have a material adverse effect on Shaw, its operations and/or its financial results.

(c) Capital markets: Shaw requires ongoing access to capital markets to support our operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a balance of fixed and floating rate debt. Shaw may enter into forward contracts in respect of U.S. dollar capital expenditure commitments to manage its exposure to foreign exchange uncertainty. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

Litigation
Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw, its operations and/or its financial results.

Satellite failure
Shaw relies on three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to provide satellite services in our Consumer and Business Network Services divisions. The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. The Company's interests in these transponders are only insurable indirectly through the satellite owner. For transponders on Anik F1R and Anik F2, the Company does not maintain any indirect insurance coverage as it believes the costs are uneconomic relative to the benefit which could otherwise be derived through an arrangement with Telesat. In the case of Anik G1, Telesat is committed to maintaining insurance on the satellite for five years from its April 2013 launch. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites as it believes the premium costs are uneconomic relative to the risk of satellite failure. Transponder capacity is available to the

Company on an unprotected, non-preemptible basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R, Anik F2 and Anik G1 transponders that are secured through capacity service agreements. The Company has priority access to spare transponders on Anik F1R, Anik F2 and Anik G1 in the case of interruption, subject to availability. In the event of satellite failure, service will only be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade of their video terminal or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw, its operations and/or its financial results.

Network failure

Shaw's business may be interrupted by network failures, including those caused by fire damage, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events. Shaw protects its network through a number of measures including physical and information technology security, ongoing maintenance and placement of insurance on our network equipment and data centres. The Company self-insures the plant in the hybrid fibre-coax network as it believes the premium costs are uneconomic relative to the risk of failure. The risk of loss is mitigated as most of the hybrid fibre-coax network is located underground. In addition, it is likely that network damage caused by any one incident would be limited by geographic area and therefore resulting business interruption and financial damages would be limited. Further, the Company has back-up disaster recovery plans in the event of network failure and redundant capacity for certain portions of the network. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service. Although Shaw has taken and continues to take steps to reduce the risk of network failure, network failures may occur, and such failures could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw, its operations and/or its financial results.

Information systems and internal business processes

Many aspects of the Company's business depend to a large extent on various IT systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have an adverse effect on Shaw, its operations and/or its financial results.

Reliance on suppliers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct our business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore have a material adverse effect on Shaw, its operations and/or its financial results.

The Company sources its customer premise and capital equipment, capital builds as well as portions of its service offerings from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may adversely affect the Company's ability to operate, and therefore have a material adverse effect on Shaw, its operations and/or its financial results.

Programming expenses

Expenses for Consumer and Business Network Services video programming continue to be one of our most significant single expense items. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and may have a material adverse effect on Shaw, its operations and/or its financial results.

Programming costs are also one of the most significant expenses in our Media division. Increased competition in the television broadcasting industry and with online video providers for content, developments affecting producers and distributors of programming content, changes in viewer preferences and other developments could impact both the availability and cost of programming content. Although we have processes to effectively manage these costs, programming content may be purchased for broadcasting one to two years in advance, making it more difficult to predict how such content will perform, and if content fails to perform as expected there may be a material adverse effect on Shaw, its operations and/or its financial results.

Unionized labour

Approximately 50% of our Media division employees are employed under one of five collective agreements represented by three unions. If labour disruptions occur, it is possible large numbers of employees may be involved and that our Media business may be disrupted. Shaw is currently preparing to negotiate one collective agreement and the remaining four agreements have been renewed and are in effect for the next one to three years.

Acquisitions and other strategic transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or its financial results.

Holding company structure

Substantially all of Shaw's business activities are operated by our subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Class A Shares are the only shares entitled to vote on all shareholder matters. Voting control of the Company is held by the Shaw Family Living Trust ("SFLT") which holds, for the benefit of descendants of JR and Carol Shaw, 17,562,400 Class A Shares, being approximately 78% of the issued and outstanding shares of such class. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair and five other members of his family. Accordingly, JR Shaw, through SFLT and its trustee, is able to elect a majority of the Board of Directors of the Company and to control any vote by the holders of Class A Shares.

Dividend payments

Shaw currently pays monthly common share dividends in amounts approved on a quarterly basis by the Board of Directors. At the current approved dividend amount, the Company would pay approximately $565 million in common share dividends during fiscal 2016 (before taking into account the Company's dividend reinvestment plan ("DRIP"), as further described in "Financial Position"). While the Company expects to generate sufficient free cash flow in fiscal 2016 to fund these dividend payments, actual results may differ from expectations and there can be no assurance that the Company will continue common share dividend payments at the current level.

SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization[1]	Net income attributable to equity shareholders	Net income[2]	Basic earnings per share	Diluted earnings per share
(millions of Canadian dollars except per share amounts)						
2015						
Fourth	1,343	573	272	276	0.57	0.57
Third	1,419	643	202	209	0.42	0.42
Second	1,337	557	163	168	0.34	0.34
First	1,389	606	219	227	0.46	0.46
Total	5,488	2,379	856	880	1.80	1.79
2014						
Fourth	1,263	525	187	192	0.40	0.40
Third	1,342	601	219	228	0.47	0.47
Second	1,274	528	215	222	0.46	0.46
First	1,362	608	236	245	0.51	0.51
Total	5,241	2,262	857	887	1.84	1.84

(1) Refer to Key performance drivers.
(2) Net income attributable to both equity shareholders and non-controlling interests.

Quarterly revenue and operating income before restructuring costs and amortization are primarily affected by the seasonality of the Media division and fluctuate throughout the year due to a number of factors including seasonal advertising and viewing patterns. Typically, the Media division has higher revenue in the first quarter driven by the fall launch of season premieres and high demand and the third quarter is affected by season finales and mid-season launches. Advertising revenue typically declines in the summer months of the fourth quarter when viewership is generally lower. Effective the first quarter of the current year the results reflect the addition of the new Business Infrastructure Services division upon acquisition of ViaWest on September 2, 2014.

In the fourth quarter of 2015, net income increased by $67 million over the third quarter 2015 due to improved net other revenue items of $190 million and lower restructuring costs of $10 million, partially offset by lower operating income before restructuring costs and amortization of $70 million and higher income tax expense of $57 million. The improvement in net other revenue items was due to the combined effects of the gain on the sale of the wireless spectrum licenses of $158 million and a write-down of $27 million in respect of a private portfolio investment in the fourth quarter and the $59 million net charge arising in the third quarter related to an impairment of goodwill, write-down of IPTV assets and proceeds received on the insurance claim.

In the third quarter of 2015, net income increased $41 million over the second quarter 2015 due to higher operating income before restructuring costs and amortization of $86 million, lower restructuring costs of $26 million and $11 million of proceeds related to the Shaw Court insurance claim, partially offset by a charge for impairment of goodwill of $15 million and write-down of IPTV assets of $55 million as well as the distributions received from a venture capital fund in the second quarter. The impairment of goodwill was in respect of the Tracking operations in the Business Network Services division and was a result of the Company's annual impairment test of goodwill and indefinite-life intangibles in the third quarter. The write-down of IPTV assets was a result of the Company's decision to work with Comcast to begin technical trials of their cloud-based X1 platform.

In the second quarter of 2015 net income decreased $59 million over the first quarter 2015 due to lower operating income before restructuring costs and amortization of $49 million and restructuring expenses of $38 million partially offset by net other revenue items of $29 million due to aforementioned venture capital fund distributions.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

In the first quarter of 2015, net income increased $35 million over the fourth quarter 2014 due to higher operating income before restructuring costs and amortization of $81 million, partially offset by increases in amortization of $35 million and net other costs of $17 million. The increase in net other costs was primarily due to an equity loss of $13 million in respect of the Company's 50% interest in shomi, a new subscription video-on-demand service launched in the first quarter.

In the fourth quarter of 2014, net income decreased $36 million primarily due to lower operating income before restructuring costs and amortization of $76 million, partially offset by the effect of the restructuring announced during the previous quarter.

In the third quarter of 2014, net income increased $6 million due to higher operating income before restructuring costs and amortization of $73 million and lower interest and amortization expense totaling $25 million, partially offset by restructuring expenses of $53 million and reduction in net other revenue items of $41 million. The reduction in net other revenue items was primarily due to the gain on sale of media assets of $49 million net of the $8 million of debt retirement costs recorded in the second quarter.

In the second quarter of 2014, net income decreased $23 million due to lower operating income before restructuring costs and amortization of $80 million and increased amortization of $8 million, partially offset by an improvement in net other non-operating items of $36 million due to the aforementioned gain on sale of media assets net of debt retirement costs, and lower income tax expense of $24 million. As a result of the aforementioned changes in net income, basic and diluted earnings per share have trended accordingly.

The following growth (losses) in subscriber statistics are provided to assist in understanding the trend of quarterly revenue and operating income before restructuring costs and amortization for Consumer:

	2015				2014			
Subscriber Statistics	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Video – Cable	**(15,591)**	**(35,967)**	**(24,524)**	**(39,315)**	(29,619)	(20,758)	(12,075)	(20,166)
Video – Satellite	**(17,980)**	**(8,254)**	**(2,820)**	**(8,146)**	(9,323)	(1,405)	(5,608)	(6,606)
Internet	**14,048**	**(1,819)**	**7,212**	**2,699**	2,746	12,767	12,399	11,983
Digital phone lines	**(599)**	**(12,027)**	**(20,974)**	**(29,683)**	1,351	8,075	4,834	1,114

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

RESULTS OF OPERATIONS

Overview of fiscal 2015 consolidated results

(millions of Canadian dollars except per share amounts)	2015	2014	2013	Change 2015 %	Change 2014 %
Operations:					
Revenue	**5,488**	5,241	5,142	**4.7**	1.9
Operating income before restructuring costs and amortization[1]	**2,379**	2,262	2,220	**5.2**	1.9
Operating margin[1]	**43.3%**	43.2%	43.2%	**0.1**	–
Funds flow from operations[2]	**1,637**	1,524	1,380	**7.4**	10.4
Net income	**880**	887	784	**(0.8)**	13.1
Free cash flow[1]	**653**	698	604	**(6.4)**	15.6
Balance sheet:					
Total assets	**14,564**	13,250	12,732		
Long-term financial liabilities					
Long-term debt (including current portion)	**5,669**	4,690	4,818		
Other financial liabilities	**20**	5	53		
Per share data:					
Earnings per share					
Basic	**1.80**	1.84	1.64		
Diluted	**1.79**	1.84	1.63		
Weighted average number of participating shares outstanding during period (millions)	**468**	457	448		
Cash dividends declared per share					
Class A	**1.1613**	1.0775	1.0050		
Class B	**1.1638**	1.0800	1.0075		

(1) Refer to Key performance drivers.
(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Highlights

- Net income was $880 million for fiscal 2015 compared to $887 million in 2014.
- Earnings per share were $1.80 in fiscal 2015 compared to $1.84 in 2014.
- Revenue for fiscal 2015 improved 4.7% to $5.49 billion from $5.24 billion last year.
- Operating income before restructuring costs and amortization of $2.38 billion in fiscal 2015 was up 5.2% over last year's amount of $2.26 billion.
- Consolidated free cash flow in fiscal 2015 was $653 million compared to $698 million in 2014.
- During 2015 the Company increased the dividend rate on the Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent annual per share dividend rate of $1.1825 and $1.185 respectively. Dividends paid in 2015 were $535 million gross of amounts attributed to the dividend reinvestment plan.
- On January 31, 2014 the Company issued $500 million senior unsecured notes at a rate of 4.35% due January 31, 2024 and $300 million floating rate senior unsecured notes due February 1, 2016. The floating rate senior notes bear interest at an annual rate equal to three month CDOR plus 0.69%. The net proceeds from the issuances were used to redeem the $600 million senior unsecured notes due June 2, 2014 and for working capital and general corporate purposes.
- In April 2014 the Company announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Commencing in fiscal 2015, Shaw's residential and enterprise services are reorganized into new Consumer and Business units, respectively, with no changes to the Media division.
  - The Company recorded restructuring costs of $58 million in fiscal 2014 associated with the approximately 400 management and non-customer facing roles which were eliminated by organizational changes in that year.

- In 2015, the Company recorded $52 million in respect of continued restructuring, primarily related to severance and employee related costs, which impacted approximately 1,700 employees.
  - The Company announced a realignment of its customer care operations into centres of expertise in order to improve the end-to-end customer service experience. The realignment affected approximately 1,600 employees.
  - The Company also continued its organizational structure realignment efforts, including further restructuring of certain functions within Business Network Services.
  - The Media division undertook organizational changes as it redefines itself from a traditional broadcaster to the broader focus of a media organization. Approximately 100 roles were eliminated and 45 new roles created.
  - As a result of these restructurings, the Company expects to realize aggregate annual cost savings, net of new hires to support the restructured operations, of approximately $75 million. These efficiencies will phase in through fiscal 2016 and be fully realized in fiscal 2017.
- During fiscal 2015 and 2014, the Company entered into a number of transactions as follows:
  - In late fiscal 2014, the Company announced it had entered into agreements to acquire 100% of the shares of ViaWest for an enterprise value of US$1.2 billion. ViaWest is headquartered in Denver, Colorado and has 27 data centres in 8 key Western U.S. markets providing collocation, cloud and managed services. On September 2, 2014, the Company closed the acquisition which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US$330 million on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada.
  - During the current year, the Company partnered with Rogers to form shomi, a new subscription video-on-demand service having the latest most exclusive shows and selections personalized for viewers. The service was launched in beta in early November 2014 and was made available to all Canadians in August 2015.
  - During 2013, the Company granted Rogers Communications Inc. ("Rogers") an option to acquire its wireless spectrum licenses. The exercise of the option and the sale of the wireless spectrum licenses were subject to various regulatory approvals and therefore, the licenses were not classified as held for sale. During the fiscal 2015, the regulatory reviews concluded at which time Rogers exercised its option and the transfer was completed. The Company had previously received $50 in respect of the purchase price of the option to acquire wireless spectrum licenses and a $200 deposit in respect of the option exercise price. The Company received an additional $100 when the transaction completed and recorded a gain of $158.
  - During 2014, the Company completed sale of its 50% interest in its two French-language channels, Historia and Series+, to Corus.
- During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from the strategic transactions with each of Rogers and Corus. Accelerated capital initiatives are being funded through this fund and not cash generated from operations. Key investments include the Calgary data centres, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the WiFi network, and additional innovative product offerings related to Shaw Go and other applications to provide an enhanced customer experience. Approximately $110 million was invested in fiscal 2013, $240 million in fiscal 2014, and $150 million in fiscal 2015.
- The Company continued to expand on its TV Everywhere content strategy launching Global Go and a number of Shaw Go apps during fiscal 2014, giving subscribers on-the-go access to their favorite programming.
- Shaw also continued to invest in and build awareness of Shaw Go WiFi and as at August 31, 2015 had almost 75,000 access points and 2 million devices authenticated on the network, reflecting the value of the service to customers.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Revenue and operating expenses

Consolidated revenue of $5.49 billion and operating income before restructuring costs and amortization of $2.38 billion for fiscal 2015 improved 4.7% and 5.2%, respectively, over 2014. Revenue growth due to the addition of the new Business Infrastructure Services division and customer growth in the Business Network Services division was partially offset by revenue declines in the Consumer and Media segments. The decline in Consumer revenue was primarily due to higher promotional amounts and video and phone subscriber losses including the one-time effect of the CRTC decision mandating telecommunication providers remove the 30-day cancellation notice requirement, the total of which was partially offset by rate adjustments effective in 2015 and growth in Internet subscribers. The decrease in Media was driven by specialty channel advertising revenue declines reflecting general market softness combined with the effect of the disposition of Historia and Series+ in the prior year. Improvements in operating income before restructuring costs and amortization are primarily attributed to the acquisition of ViaWest and Consumer division rate increases introduced in fiscal 2015 offset partially by increase in programming fees and promotional discounts.

Consolidated revenue of $5.24 billion and operating income before restructuring costs and amortization of $2.26 billion for 2014 both improved 1.9% over 2013. Revenue growth was primarily driven by consumer pricing adjustments and growth in Business which was partially reduced by lower video subscribers, higher programming costs, increased operating costs related to the new Anik G1 satellite which launched in the third quarter of fiscal 2013 and higher employee related amounts. In addition, the 2013 fiscal year benefited from a one-time adjustment to align certain broadcast license fees with the CRTC billing period totaling approximately $14 million.

Amortization

(millions of Canadian dollars)	2015	2014	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**78**	69	13.0
Deferred equipment costs	**(164)**	(142)	15.5
Property, plant and equipment, intangibles and other	**(809)**	(692)	16.9

Amortization of deferred equipment revenue and deferred equipment costs increased over the comparable year primarily due to the impact of the fluctuation in the sales mix of equipment, timing and volume of sales and amortization periods for amounts in respect of customer premise equipment, as well as changes in customer pricing on certain equipment.

Amortization of property, plant and equipment, intangibles and other increased over the comparable year primarily due to the impact of the acquisition of ViaWest on September 2, 2014.

Amortization of financing costs and interest expense

(millions of Canadian dollars)	2015	2014	Change %
Amortization of financing costs – long-term debt	**4**	3	33.3
Interest expense	**283**	266	6.4

Interest expense increased over the comparable year primarily due to the impact of ViaWest's debt and the drawdown of US$330 million on the Company's credit facility to partially finance the acquisition of ViaWest on September 2, 2014 which was partially offset by the combined impact of a lower average cost of borrowing and an increase in capitalized interest.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Other income and expenses

(millions of Canadian dollars)	2015	2014	Increase (decrease) in income
Gain on sale of media assets	**–**	49	(49)
Business acquisition costs	**(6)**	(4)	(2)
Accretion of long-term liabilities and provisions	**(3)**	(6)	3
Debt retirement costs	**–**	(8)	8
Equity loss of a joint venture	**(56)**	–	(56)
Gain on sale of wireless spectrum licenses	**158**	–	158
Impairment of goodwill	**(15)**	–	(15)
Other losses	(49)	(6)	(43)

During 2013, the Company agreed to sell its 50% interest in its two French-language channels, Historia and Series+, to Corus, a related party subject to common voting control. The sale of Historia and Series+ closed on January 1, 2014 and the company recorded proceeds of $141 million and a gain of $49 million.

The Company incurred $6 million of acquisition related costs in fiscal 2015 for professional fees paid to lawyers, consultants and advisors in respect of the acquisition of ViaWest which closed on September 2, 2014. In fiscal 2014, the Company incurred $4 million of acquisition costs related to ViaWest.

The Company records accretion expense in respect of the discounting of certain long-term liabilities and provisions which are accreted to their estimated value over their respective terms. The expense is primarily in respect of CRTC benefit obligations.

On February 18, 2014, the Company redeemed the $600 million 6.50% senior notes due June 2, 2014. In connection with the early redemption, the Company incurred costs of $7 million and wrote-off the remaining finance costs of $1 million.

The Company recorded an equity loss of $56 million in fiscal 2015 related to its interest in shomi, the subscription video-on-demand service launched in early November 2014. The equity loss includes amounts in respect of the development and launch of the business.

During the year, Rogers Communications Inc. exercised its option to acquire the Company's AWS spectrum as announced in January 2013. Previously the Company received $50 million in respect of the purchase price of the option to acquire wireless spectrum licenses and a $200 million deposit in respect of the option exercise price. The Company received an additional $100 million when the transaction completed and recorded a gain of $158 million.

As a result of the Company's annual impairment test of goodwill and indefinite-life intangibles, an impairment charge of $15 million was recorded in fiscal 2015 with respect to the Tracking operations in the Business Network Services division.

Other losses category generally includes realized and unrealized foreign exchange gains and losses on U.S. dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership ("Partnership"). In the current year, the category also includes a write-down of $6 million in respect of the property classified as held for sale, distributions of $27 million from a venture capital fund investment, a write-down of $27 million in respect of a private portfolio investment and additional proceeds of $15 million related to the fiscal 2012 Shaw Court insurance claim while the comparative year includes a refund of $5 million from the Canwest CCAA plan implementation fund and proceeds of $6 million in respect of the aforementioned insurance claim. In addition, the current and prior year both include asset write-downs of $55 million and $6 million, respectively. The write-down in the current period relates to assets in respect to development of a certain Internet Protocol Television ("IPTV") platform which the Company has now abandoned.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 25.7% for 2015 and 26.0% for 2014 and was adjusted for the reconciling items identified in Note 23 to the Consolidated Financial Statements.

Earnings per share

(millions of Canadian dollars except per share amounts)	2015	2014	Change %
Net income	**880**	887	(0.8)
Weighted average number of participating shares outstanding during period (millions)	**468**	457	2.4
Earnings per share			
Basic	**1.80**	1.84	(2.2)
Diluted	**1.79**	1.84	(2.7)

Net income

Net income was $880 million in 2015 compared to $887 million in 2014. The year-over-year changes are summarized in the table below.

Net income decreased $7 million from the prior year. The current year included higher amortization and increased interest expense partially offset by higher operating income before restructuring costs and amortization and lower income taxes. Net other costs and revenue in both years was impacted by various items including gains on sales of wireless spectrum licenses and media assets as well as write-downs of various assets while the current year also included an equity loss in a joint venture, an impairment charge for goodwill and distributions received from a venture capital fund investment.

(millions of Canadian dollars)	
Increased operating income before restructuring costs and amortization	**117**
Decreased restructuring costs	**6**
Increased amortization	**(131)**
Increased interest expense	**(17)**
Change in other net costs and revenue(1)	**4**
Decreased income taxes	**14**
	(7)

(1) Net other costs and revenue includes gains on sales of wireless spectrum licenses and media assets, business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, equity loss of a joint venture, impairment of goodwill and other losses as detailed in the Consolidated Statements of Income.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Subscriber statistics

	August 31, 2015	August 31, 2014	Change
Consumer			
Video – Cable	**1,764,523**	1,867,304	(102,781)
Video – Satellite	**811,988**	850,132	(38,144)
Internet	**1,774,374**	1,761,881	12,493
Phone	**1,027,266**	1,110,708	(83,442)
	5,378,151	5,590,025	(211,874)
Business Network Services			
Video – Cable	**77,709**	90,325	(12,616)
Video – Satellite	**31,435**	30,491	944
Internet	**178,167**	168,520	9,647
Phone	**284,785**	264,626	20,159
	572,096	553,962	18,134
	5,950,247	6,143,987	(193,740)

SEGMENTED OPERATIONS REVIEW

Consumer

Financial highlights

(millions of Canadian dollars)	2015	2014	Change %
Revenue	**3,752**	3,768	(0.4)
Operating income before restructuring costs and amortization(1)	**1,686**	1,669	1.0
Operating margin(1)	**44.9%**	44.3%	0.6pts

(1) Refer to Key performance drivers.

Consumer revenue for the year of $3.75 billion declined 0.4% compared to last year. The effect of price adjustments and growth in Internet was offset by higher promotional costs, reduced On-Demand revenues and lower video and phone subscribers.

Operating income before restructuring costs and amortization of $1.69 billion increased 1.0% over the prior year. The improvement was primarily driven by revenue related growth attributed to rate increases partially offset by lower video and phone subscribers, higher programming fees and promotional discounts.

The current year also includes the effect of implementing the CRTC decision that mandated telecommunication providers could no longer require customers to provide a minimum 30 day cancellation notice. The reduction in revenue and operating income before restructuring costs and amortization for the 7.5 months affecting fiscal 2015 is approximately $13 million and $10 million, respectively.

During the current year, the Company announced the reorganization of its call centre operations around centres of expertise including technical service, sales and billing, loyalty care, technical field support, e-Care, payment solutions and satellite operations. The closure of the Edmonton contact centre and the downsizing of the Kelowna location were completed in the current year with customer care roles realigned through expansions in Victoria, Vancouver, Winnipeg and Mississauga around centres of expertise. The reorganization is expected to be substantially complete in January 2016 when the Calgary call centre operations will close.

The Company completed the second phase of the DNU project in the Vancouver region during fiscal 2015. This second phase converted all remaining video signals to digital and allows the Company to double downstream capacity in the Vancouver market contributing to an enhanced current network and providing for future bandwidth growth. The Company will continue with its DNU project through fiscal 2016 focusing on its other larger markets and enhancement projects.

Business Network Services

Financial highlights

(millions of Canadian dollars)	2015	2014	Change %
Revenue	**520**	484	7.4
Operating income before restructuring costs and amortization(1)	**256**	240	6.7
Operating margin(1)	**49.2%**	49.6%	(0.4)pts

(1) Refer to Key performance drivers.

Revenue of $520 million 7.4% over the prior year primarily due to customer growth in both the small, medium and large enterprise market segments.

Operating income before restructuring costs and amortization of $256 million improved 6.7% over the comparable year due to higher revenue driven by customer growth, partially offset by various expense increases primarily related to employee hires in support of operational growth as well as certain administrative costs.

During the current quarter the Company successfully launched a new phone product, "Smart Voice", which provides a unified communications solution to small businesses that has typically been reserved for large scale enterprise organizations. This service improves productivity by allowing employees to collaborate seamlessly across their desk phones, mobile devices and computers in the office, at a client's business, from home or anywhere in between. In addition the Company also launched "Managed Hotel WiFi" utilizing proven Cisco technology to provide a cloud based WiFi product that is a fully managed solution for the hospitality market.

Business Infrastructure Services

Financial highlights

(millions of Canadian dollars)	2015
Revenue	**246**
Operating income before restructuring costs and amortization(1)	**95**
Operating margin(1)	**38.6%**

(1) Refer to Key performance drivers.

On September 2, 2014, the Company acquired ViaWest, then one of the largest privately held providers of hybrid IT solutions in North America. Through this acquisition Shaw gained significant capabilities, scale and immediate expertise in the growing marketplace for enterprise data services.

Revenue for the year was $246 million while operating income before restructuring costs and amortization was $95 million. For information purposes, on a USD basis and excluding the impact of acquisition related costs, operating income before restructuring costs and amortization grew 10.6% on a full year basis over the comparable period.

ViaWest continues to experience solid demand for its hybrid IT solutions and cloud services and recently announced the launch of cloud recovery service enabling cloud-based backup and replication to further serve the growing IT infrastructure needs of existing and future customers. During the fourth quarter, ViaWest acquired AppliedTrust, which provides managed services with a focus on IT security. The acquisition of AppliedTrust had minimal effect on operating results for the year. Also, the Company opened two new facilities in the fall of 2015: the Hillsboro, Oregon flagship facility with over 50,000 square feet of space and the Calgary, Alberta facility.

Media

Financial highlights

(millions of Canadian dollars)	2015	2014	Change %
Revenue	**1,080**	1,096	(1.5)
Operating income before restructuring costs and amortization[(1)]	**342**	353	(3.1)
Operating margin[(1)]	**31.7%**	32.2%	(0.5)pts

(1) Refer to Key performance drivers.

Revenue and operating income before restructuring costs and amortization for the year were $1.08 billion and $342 million, respectively, compared to $1.10 billion and $353 million for the prior year. The revenue decline was primarily due to reduced advertising revenues on specialty channels and the effect of the disposition in the prior year of Historia and Series+, which was partially offset by increased subscriber and other revenues. Operating income before restructuring costs and amortization declined due to the net revenue decrease and was partially offset by lower employee related, advertising, promotion and various other costs. The prior year benefited by $6 million related to Historia and Series+ and $6 million related to a distant signal retransmission royalty adjustment while fiscal 2015 included $12 million of transactions with shomi.

Global delivered solid programming results throughout 2015 with a number of programs ranking in the top 10 or top 20 nationally and across multiple major markets during the year. The conventional fall programming premiered through the month of September and into October with a solid returning line-up combined with new programming.

Throughout the year, Media's specialty portfolio held solid positions in the channel rankers and closed out the year with 6 of the top 20 channels. The fall programming launched in late fiscal 2015 with a strong stable of returning shows along with new programming.

Global News continues to retain the number one position in the western markets and continued focus on online and mobile audiences have delivered strong growth in both page and video views. In addition, Global National was recognized as Best National Newscast at the Canadian Screen Awards while Globalnew.ca was honoured with the Edward R. Murrow Award for the best news website outside of the U.S. Further, the Media division continues to strengthen its position in efficient delivery of news with the recent consolidation of the production of its national and international segments for the morning news shows and has implemented a streamlined process to deliver local late night and weekend newscasts into all markets.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Capital expenditures and equipment costs

(millions of Canadian dollars)	Year ended August 31, 2015	2014	Change %
Consumer and Business Network Services			
New housing development	**106**	94	12.8
Success based	**284**	312	(9.0)
Upgrades and enhancements	**353**	364	(3.0)
Replacement	**35**	49	(28.6)
Buildings and other	**176**	258	(31.8)
Total as per Note 24 to the audited annual consolidated financial statements	**954**	1,077	(11.4)
Business Infrastructure Services			
Total as per Note 24 to the audited annual consolidated financial statements	**152**	–	n/a
Media			
Broadcast and transmission	**8**	10	(20.0)
Buildings and other	**8**	8	–
Total as per Note 24 to the audited annual consolidated financial statements	**16**	18	(11.1)
Consolidated total as per Note 24 to the audited annual consolidated financial statements(1)	**1,122**	1,095	2.5

(1) Fiscal 2015 includes $150 million (2014 – $240 million) related to certain capital investments that were funded from the accelerated capital fund.

Capital investment was $1.12 billion in the current year and included $150 million of investment funded through the accelerated capital fund. Capital investment for the comparable year of $1.10 billion included $240 million of accelerated capital fund investment. The accelerated capital fund initiatives which are now complete, included investment in new internal and external Calgary data centres, increasing network capacity, next generation delivery systems, back office infrastructure upgrades, and expediting the Shaw Go WiFi infrastructure build.

Consumer and business network services

Success-based capital for the year of $284 million was lower by $28 million relative to the prior year. The decline was due to reduced costs related to the deployment of cable video rental units and lower gross customer additions, and reduced satellite video set top box activations for new and existing customers driven by the termination of the Satellite rental program, and lower phone activity, partially offset by higher advanced Internet WiFi modem purchases and increased installations.

Investment in the combined Upgrades and Enhancement and Replacement categories was $388 million compared to $413 million in the prior year. The decrease was mainly due to timing of investment in next generation video delivery systems, combined with lower spend in video, voice and mainline and drop upgrades. These favourable variances were partially offset by increased investments related to bandwidth upgrades and business growth.

Investment in Buildings and other of $176 million for the year was down $82 million compared to the prior year. The decrease relates to lower current year spend on the new internal data centre and Shaw Court refurbishment expenditures partially offset by timing of investment on back office infrastructure upgrades.

New housing development capital investment was up $12 million over the comparable year. The increase was due to timing of spend on mainline expansion and continued activity in new housing starts for single and multifamily developments in western Canada.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Business infrastructure services
Capital investment of $152 million for the year is primarily related to growth related capital investment in core infrastructure and equipment to deploy customer solutions. The amounts include $39 million related to investment in Canada.

ViaWest completed construction of its new facility in Hillsboro, Oregon in fiscal 2015 and completed construction on the new flagship facility in Calgary in the fall of 2015. Each of these facilities will offer a comprehensive suite of infrastructure services, including colocation, cloud and other managed services.

Media
Capital investment for the year was $16 million compared to $18 million in the prior year as work continued on various projects including upgrading production equipment, infrastructure and facility investments.

FINANCIAL POSITION

Total assets were $14.6 billion at August 31, 2015 compared to $13.2 billion at August 31, 2014. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2014. The impact of the acquisition of ViaWest includes the ongoing effects of foreign exchange differences arising on translation of those U.S. operations subsequent to acquisition.

Current assets decreased $324 million due to decreases in cash of $239 million, inventories of $59 million and accounts receivable of $25 million. Cash decreased as the cash outlay for investing activities, including the acquisition of ViaWest, exceeded the funds provided by financing and operating activities. Accounts receivable decreased due to lower subscriber and advertising receivables as a result of timing of collections, partially offset by the effect of the acquisition of ViaWest while inventories were lower due to timing of equipment purchases and supply chain efficiencies.

Investments and other assets increased $37 million mainly due to the Company's interest in shomi.

Property, plant and equipment increased $568 million due to the acquisition of ViaWest as well as current year capital investment in excess of amortization. Other long-term assets decreased $24 million due to lower deferred equipment costs. Intangibles and goodwill increased $1.1 billion due to the acquisition of ViaWest, partially offset by the sale of the wireless spectrum licenses.

Current liabilities increased $542 million due to increases in accounts payable and accrued liabilities of $59 million and current portion of long-term debt of $608 million, partially offset by a decline in income taxes payable of $146 million. Accounts payable and accrued liabilities increased due to timing of payment and fluctuations in various payables including capital expenditures as well as the effect of the ViaWest acquisition. The current portion of long-term debt includes the $300 million variable rate senior notes which are due in February 2016, the 6.15% senior notes due in May 2016 and amounts in respect of ViaWest's debt. Income taxes payable decreased due to tax instalment payments, partially offset by the current year provision.

Long-term debt increased $371 million due to ViaWest's debt and borrowings under the Company's credit facility of US$330 million used to partially fund the acquisition of ViaWest, partially offset by the reclassification of the aforementioned senior notes to current liabilities.

Other long-term liabilities decreased $65 million due to contributions to employee benefit plans, partially offset by current year pension expense, and a decrease in CRTC benefit obligations.

Deferred credits decreased $274 million due to completion of the sale of the spectrum licenses as the Company had previously received $50 million in respect of the purchase price of the option to acquire wireless spectrum licenses and a $200 million deposit in respect of the option exercise price during fiscal 2013.

Deferred income tax liabilities, net of deferred income tax assets, increased $42 million due to amounts arising on the acquisition of ViaWest, partially offset by the current year income tax recovery.

Shareholders' equity increased $709 million primarily due to increases in share capital of $318 million and retained earnings of $294 million and a decrease in accumulated other comprehensive loss of $114 million, partially offset by a decrease of $19 million in contributed surplus. Share capital increased due to the issuance of 11,865,236 Class B Non-Voting Shares under the Company's option plan and DRIP. As of November 15, 2015, share capital is as reported at August 31, 2015 with the exception of the issuance of a total of 1,354,808 Class B Non-Voting Shares upon exercise of options under the Company's option plan and the DRIP. Retained earnings increased due to current year earnings of $856 million, partially offset by dividends of $562 million. Accumulated other comprehensive loss decreased due to the net effect of exchange differences arising on the translation of ViaWest and U.S. dollar denominated debt designated as a hedge of the Company's net investment in those foreign operations. Contributed surplus decreased due to the transfer of the fair value of options to share capital upon exercise.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2015	2014	Change %
Funds flow from operations	**1,637**	1,524	7.4
Net change in non-cash working capital balances related to operations	**(97)**	216	>100.0
	1,540	1,740	(11.5)

Funds flow from operations increased over the last year primarily due to higher operating income before restructuring costs and amortization, a decline in CRTC benefit obligation funding and lower expenditures on program rights and restructuring charges, all of which were partially offset by an increase in funding of defined benefit pension plans and higher interest expense. The net change in non-cash working capital balances related to operations fluctuated over the comparative periods due to the timing of payment of current income taxes payable and accounts payable and accrued liabilities as well as fluctuations in accounts receivable.

Investing activities

(millions of Canadian dollars)	2015	2014	Increase
Cash flow used in investing activities	**(1,904)**	(1,029)	875

The cash used in investing activities increased over the comparative year due to the proceeds on the sale of Historia and Series+ in the prior year and the acquisition of ViaWest in the current year as well as an increased net cash outlay in respect of investments, including shomi, all of which were partially offset by the net proceeds received on the sale of the wireless spectrum licenses and lower cash outlays for capital expenditures and inventory.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2015

Financing activities

The changes in financing activities during 2015 and 2014 were as follows:

(millions of Canadian dollars)	2015	2014
Bank loans – net borrowings	**361**	-
ViaWest's credit facilities (net) and finance lease obligations	**52**	-
Issuance of 4.35% senior unsecured notes	–	500
Issuance of floating rate senior unsecured notes	–	300
Redeem 6.5% senior unsecured notes	–	(600)
Repay 7.5% senior unsecured notes	–	(350)
Bank facility arrangement costs	**(14)**	–
Repay promissory note	–	(48)
Prepay Partnership mortgage	–	(19)
Partnership mortgage loan proceeds	–	40
Senior notes issuance costs	–	(4)
Debt retirement costs	–	(7)
Dividends	**(382)**	(352)
Issuance of Class B Non-Voting Shares	**129**	70
Distributions paid to non-controlling interests	**(22)**	(26)
	124	(496)

LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $653 million of free cash flow. Shaw used its free cash flow along with cash of $239 million, borrowings of $361 million under its credit facility, proceeds on issuance of Class B Non-Voting Shares of $129 million, net proceeds of $99 million in respect of the sale of the wireless spectrum licenses, the net increase in borrowings of $56 million under the ViaWest facilities, cash distributions from a venture capital fund and proceeds from sale of investments of $29 million and other net items of $19 million to finance the $893 million acquisition of ViaWest, pay common share dividends of $369 million, fund $150 million of accelerated capital spend, make $125 million in financial investments and pay $48 million of restructuring costs.

On March 30, 2015, the Company announced that a syndicate of lenders provided a term loan in the amount of US$395 million and a revolving credit facility of US$85 million for ViaWest. The facilities were used to repay the outstanding amounts under ViaWest's prior credit facility and for ViaWest's general corporate purposes. The term loan matures in March 2022 while the revolving credit facility matures in March 2020.

On December 22, 2014, the Company announced that it amended the terms of its $1 billion bank credit facility to extend the maturity date from January 2017 to December 2019. The facility is used for general corporate purposes.

The Company's DRIP allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date. The DRIP has resulted in cash savings and incremental Class B Non-Voting Shares of $166 million during fiscal 2015.

Based on available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Debt structure and financial policy

Shaw structures its borrowings generally on a standalone basis. With the exception of ViaWest, the borrowings of Shaw are unsecured. While certain non-wholly owned subsidiaries and ViaWest, its immediate parent and its subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to other subsidiaries of the Company.

Shaw's borrowings are subject to covenants which include maintaining minimum or maximum financial ratios. At August 31, 2015, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

As at August 31, 2015, the ratio of debt to operating income before restructuring costs and amortization for the Company is 2.0 times. Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5 times would be optimal leverage for the Company in the current environment. Should the ratio fall below this, on an other than temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition.

Off-balance sheet arrangement and guarantees

Guarantees

Generally it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 25 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2015 are detailed in the following table.

	Payments due by period				
(millions of Canadian dollars)	Total	Within 1 year	2 –3 years	4 –5 years	More than 5 years
Long-term debt(1)	9,051	905	943	2,166	5,037
Operating obligations(2)	1,971	635	566	382	388
Purchase obligations(3)	49	49	–	–	–
Other obligations(4)	21	–	19	2	–
	11,092	1,589	1,528	2,550	5,425

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and premises and exclusive rights to use intellectual property in Canada.
(3) Includes capital expenditure and inventory purchase commitments.
(4) Includes other non-current financial liabilities.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2015 Annual Information Form can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca under Investors/Corporate Governance/ Compliance with NYSE Corporate Governance Listing Standards.

CERTIFICATION

The Company's Chief Executive Officer and Chief Financial Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting.

As at August 31, 2015, the Company's management, together with its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

As permitted by SEC guidance, management has excluded its subsidiary, ViaWest, from this evaluation of the system of internal control over financial reporting. Shaw completed the purchase of 100% of Viawest on September 2, 2014. Additional information regarding this acquisition is included in Note 3 to the consolidated financial statements. ViaWest had assets and revenues representing approximately 12% and 4%, respectively, of the related Consolidated Financial Statement amounts as of and for the year ended August 31, 2015. Further information on ViaWest is included in Note 24 to the Consolidated Financial Statements. ViaWest will be included in management's evaluation of internal controls over financial reporting for the fiscal year ended August 31, 2016.

There were no changes in the Company's internal controls over financial reporting during the fiscal year that have materially affected or are reasonably likely to materially affect Shaw's internal controls over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Shaw Communications Inc.
Management's Responsibility for Financial Statements and Report on Internal Control over Financial Reporting

November 23, 2015

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its members are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2015.

As permitted by SEC guidance, management has excluded its subsidiary, ViaWest, Inc. ("ViaWest"), from this evaluation of the system of internal control over financial reporting. Shaw completed the purchase of 100% of ViaWest on September 2, 2014. Additional information regarding this acquisition is included in Note 3 to the Consolidated Financial Statements. ViaWest had assets and revenues representing approximately 12% and 4%, respectively, of the related Consolidated Financial Statement amounts as of and for the year ended August 31, 2015. Further information on ViaWest is included in Note 24 to the

Management's Responsibility for Financial Statements and Report on Internal Control over Financial Reporting

Consolidated Financial Statements. ViaWest will be included in management's evaluation of internal controls over financial reporting for the fiscal year ended August 31, 2016.

[Signed]	[Signed]
Brad Shaw	**Vito Culmone**
Chief Executive Officer	Executive Vice President and Chief Financial Officer

Shaw Communications Inc.
Independent Auditors' Report of Registered Public Accounting Firm

To the Shareholders of Shaw Communications Inc.

We have audited the accompanying consolidated financial statements of Shaw Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2015 and 2014, and its financial performance and its cash flows for the years ended August 31, 2015 and 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matter
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2015, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated November 23, 2015 expressed an unqualified opinion on Shaw Communications Inc.'s internal control over financial reporting.

Ernst & Young LLP

Chartered Accountants

Calgary, Canada
November 23, 2015

Shaw Communications Inc.

Independent Auditors' Report on Internal Controls under Standards of the Public Company Accounting Oversight Board (United States)

To the Shareholders of Shaw Communications Inc.

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2015, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Shaw Communications Inc.'s Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of ViaWest, Inc., which is included in the August 31, 2015 consolidated financial statements of Shaw Communications Inc. and constituted $1,733 million of total assets as of August 31, 2015 and $246 million of revenues for the year then ended. Our audit of internal control over financial reporting of Shaw Communications Inc. also did not include an evaluation of the internal control over financial reporting of ViaWest, Inc..

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2015, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2015 and 2014, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2015 and 2014, and our report dated November 23, 2015 expressed an unqualified opinion thereon.

Ernst & Young LLP

Calgary, Canada
November 23, 2015

Chartered Accountants

Shaw Communications Inc.
Consolidated Statements of Financial Position

[millions of Canadian dollars]	August 31, 2015 $	August 31, 2014 $
ASSETS		
Current		
Cash	**398**	637
Accounts receivable *[note 4]*	**468**	493
Inventories *[note 5]*	**60**	119
Other current assets *[note 6]*	**78**	73
Asset held for sale *[note 3]*	**5**	11
	1,009	1,333
Investments and other assets *[notes 7 and 28]*	**97**	60
Property, plant and equipment *[note 8]*	**4,220**	3,652
Other long-term assets *[note 9]*	**259**	283
Deferred income tax assets *[note 23]*	**14**	26
Intangibles *[note 10]*	**7,459**	7,198
Goodwill *[note 10]*	**1,506**	698
	14,564	13,250
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 11]*	**887**	828
Provisions *[note 12]*	**52**	44
Income taxes payable	**195**	341
Unearned revenue	**196**	183
Current portion of long-term debt *[notes 13 and 28]*	**608**	–
	1,938	1,396
Long-term debt *[notes 13 and 28]*	**5,061**	4,690
Other long-term liabilities *[notes 14 and 26]*	**186**	251
Provisions *[note 12]*	**10**	9
Deferred credits *[note 15]*	**588**	862
Deferred income tax liabilities *[note 23]*	**1,135**	1,105
	8,918	8,313
Commitments and contingencies *[notes 13, 25 and 26]*		
Shareholders' equity		
Common and preferred shareholders	**5,409**	4,702
Non-controlling interests in subsidiaries	**237**	235
	5,646	4,937
	14,564	13,250

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
Consolidated Statements of Income

Years ended August 31 [millions of Canadian dollars except per share amounts]	2015 $	2014 $
Revenue *[note 24]*	**5,488**	5,241
Operating, general and administrative expenses *[note 21]*	**(3,109)**	(2,979)
Restructuring costs *[notes 12 and 21]*	**(52)**	(58)
Amortization -		
Deferred equipment revenue *[note 15]*	**78**	69
Deferred equipment costs *[note 9]*	**(164)**	(142)
Property, plant and equipment, intangibles and other *[notes 8, 9, 10 and 15]*	**(809)**	(692)
Operating income	**1,432**	1,439
Amortization of financing costs – long-term debt *[note 13]*	**(4)**	(3)
Interest expense *[notes 13 and 24]*	**(283)**	(266)
Gain on sale of media assets *[note 3]*	**–**	49
Acquisition and divestment costs *[note 3]*	**(6)**	(4)
Accretion of long-term liabilities and provisions	**(3)**	(6)
Debt retirement costs *[note 13]*	**–**	(8)
Equity loss of a joint venture *[note 7]*	**(56)**	–
Gain on sale of wireless spectrum licenses *[note 3]*	**158**	–
Impairment of goodwill *[note 10]*	**(15)**	–
Other losses *[note 22]*	**(49)**	(6)
Income before income taxes	**1,174**	1,195
Current income tax expense *[note 23]*	**356**	354
Deferred income tax recovery *[note 23]*	**(62)**	(46)
Net income	**880**	887
Net income attributable to:		
Equity shareholders	**856**	857
Non-controlling interests in subsidiaries	**24**	30
	880	887
Earnings per share *[note 18]*		
Basic	**1.80**	1.84
Diluted	**1.79**	1.84

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Comprehensive Income

Years ended August 31 [millions of Canadian dollars]	2015 $	2014 $
Net income	**880**	887
Other comprehensive income (loss) *[note 20]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**6**	3
Adjustment for hedged items recognized in the period	**(6)**	(5)
Unrealized loss on available-for-sale investment	**(3)**	(2)
Exchange differences on translation of a foreign operation	**184**	–
Exchange differences on US denominated debt hedging a foreign operation	**(74)**	–
	107	(4)
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans	**7**	(42)
	114	(46)
Comprehensive income	**994**	841
Comprehensive income attributable to:		
Equity shareholders	**970**	811
Non-controlling interests in subsidiaries	**24**	30
	994	841

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Changes in Shareholders' Equity

Year ended August 31, 2015

[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2014	**3,182**	**64**	**1,589**	**(133)**	**4,702**	**235**	**4,937**
Net income	**–**	**–**	**856**	**–**	**856**	**24**	**880**
Other comprehensive income	**–**	**–**	**–**	**114**	**114**	**–**	**114**
Comprehensive income	**–**	**–**	**856**	**114**	**970**	**24**	**994**
Dividends	**–**	**–**	**(396)**	**–**	**(396)**	**–**	**(396)**
Dividend reinvestment plan	**166**	**–**	**(166)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**152**	**(23)**	**–**	**–**	**129**	**–**	**129**
Share-based compensation	**–**	**4**	**–**	**–**	**4**	**–**	**4**
Distributions declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(22)**	**(22)**
Balance as at August 31, 2015	**3,500**	**45**	**1,883**	**(19)**	**5,409**	**237**	**5,646**

Year ended August 31, 2014

[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2013	2,955	72	1,242	(87)	4,182	231	4,413
Net income	–	–	857	–	857	30	887
Other comprehensive loss	–	–	–	(46)	(46)	–	(46)
Comprehensive income	–	–	857	(46)	811	30	841
Dividends	–	–	(364)	–	(364)	–	(364)
Dividend reinvestment plan	146	–	(146)	–	–	–	–
Shares issued under stock option plan	81	(11)	–	–	70	–	70
Share-based compensation	–	3	–	–	3	–	3
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(26)	(26)
Balance as at August 31, 2014	3,182	64	1,589	(133)	4,702	235	4,937

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Cash Flows

Years ended August 31 [millions of Canadian dollars]	2015 $	2014 $
OPERATING ACTIVITIES		
Funds flow from operations *[note 29]*	**1,637**	1,524
Net change in non-cash balances related to operations	**(97)**	216
	1,540	1,740
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(939)**	(976)
Additions to equipment costs (net) *[note 24]*	**(72)**	(56)
Additions to other intangibles *[note 24]*	**(79)**	(84)
Net decrease (increase) to inventories	**59**	(23)
Business acquisitions, net of cash acquired *[note 3]*	**(902)**	–
Proceeds on sale of media assets *[note 3]*	**–**	141
Additions to investments and other assets	**(125)**	(52)
Proceeds on disposal of property, plant and equipment *[notes 24 and 29]*	**26**	21
Proceeds on sale of wireless spectrum licenses, net of costs *[note 3]*	**99**	–
Distributions received and proceeds from sale of investments	**29**	–
	(1,904)	(1,029)
FINANCING ACTIVITIES		
Increase in long-term debt	**921**	840
Debt repayments	**(508)**	(969)
Debt retirement costs *[note 13]*	**–**	(7)
Senior notes issuance costs *[note 13]*	**–**	(4)
Bank credit facility arrangement costs	**(14)**	–
Repayment of promissory note *[note 27]*	**–**	(48)
Issue of Class B Non-Voting Shares	**129**	70
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(369)**	(339)
Dividends paid on Series A Preferred Shares	**(13)**	(13)
Distributions paid to non-controlling interests in subsidiaries	**(22)**	(26)
	124	(496)
Effect of currency translation on cash balances	**1**	–
Increase (decrease) in cash	**(239)**	215
Cash, beginning of year	**637**	422
Cash, end of year	**398**	637

See accompanying notes

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian communications company whose core operating business is providing: Cable telecommunications and Satellite video services to residential customers ("Consumer"); data networking, Cable telecommunications, Satellite video and fleet tracking services to businesses and public sector entities ("Business Network Services"); data centre colocation, cloud technology and managed IT solutions to businesses ("Business Infrastructure Services"); and programming content ("Media").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto Stock Exchange, TSX Venture Exchange and New York Stock Exchange. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2015 and 2014, were approved by the Board of Directors and authorized for issue on November 23, 2015.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership") and until January 1, 2014, a 50% interest in Historia and Series+ s.e.nc ("Historia and Series+").

The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Historia and Series+ are two Canadian French-language specialty television channels. The Company classified its 50% interest as a joint operation after considering the terms and conditions of the partnership agreement and other facts and circumstances including the significant obligations that arise with respect to the CRTC broadcasting licenses which are required to operate the channels and which are held at the partner level.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company has classified its 50% interest in Shomi Partnership ("shomi") after considering the terms and conditions of the partnership agreement and other facts and circumstances including business plans to make the service available to subscribers of other distributors and as an over-the-top service for purchase by any subscriber.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection, installation and customer premise equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from cable, Internet, Digital Phone and DTH customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values. Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

Subscriber connection fees received from customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and DCTs is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	5-20 years
Digital cable terminals and modems	2-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data centre infrastructure	3-21 years
Data processing	3-4 years
Other	3-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iii) long-term receivables, (iv) network capacity leases, (v) the non-current portion of prepaid maintenance and support contracts and (vi) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licenses, trademarks and brands represent identifiable assets with indefinite useful lives. Spectrum licenses were acquired in Industry Canada’s auction of licenses for advanced wireless services and have an indefinite life.

Program rights represent licensed rights acquired to broadcast television programs on the Company’s conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over the estimated useful life of 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from three to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6% (2014 – 6.25%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, Media and Data centres. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) connection fee revenue, initial setup fees and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, (iv) a deposit on a future fibre sale, and (v) amounts received in respect of granting an option to acquire its wireless spectrum licenses.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

Until August 31, 2014, the Company had access to a government program which supported local programming produced by conventional television stations. In addition, the Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange loss recognized on the translation and settlement of current monetary assets and liabilities was $8 (2014 – $8) and is included in other losses.

The functional currency of the Company's foreign operations is US dollars. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using the foreign exchange rate at the end of the reporting period. Revenue and expenses are translated using average foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in other comprehensive income/loss and accumulated in equity.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

A net investment hedge of a foreign operation is accounted for similarly to a cash flow hedge. The Company may designate certain US dollar denominated debt as a hedge of its net investment in foreign operations where the US dollar is the functional currency. Unrealized gains and losses arising from translation of the US dollar denominated debt are included in other comprehensive income/loss and accumulated in equity.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective December 31, 2014 and the next actuarial valuations for funding purposes are effective December 31, 2015.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Share appreciation rights ("SARs") issued by a subsidiary to eligible employees are cash settled and measured at fair value using the Black-Scholes option pricing model. The fair value is recognized over the vesting period of the SARs by applying the graded vesting method, adjusting for estimated forfeitures. The obligation for SARs is remeasured at the end of each period up to the date of settlement which requires a reassessment of the estimates used at the end of each reporting period.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iii) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(iv) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis. Significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licenses, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by the DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. The DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(v) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vi) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(vii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, Media and Data centres.

(ii) Broadcast rights and licenses and spectrum licenses – indefinite-life assessment

The Company's businesses are dependent upon broadcast licenses (or operate pursuant to an exemption order) granted and issued by the CRTC. While these licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncement

The adoption of the following standard effective September 1, 2014 had no impact on the Company's consolidated financial statements.

- IFRIC 21 *Levies* provides guidance on when to recognize a financial liability imposed by a government, if the levy is accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, or where the timing and amount of the levy is certain.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.
- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

3. BUSINESS ACQUISITIONS, ASSET DISPOSITIONS AND ASSET HELD FOR SALE

Business acquisitions

ViaWest, Inc ("ViaWest")

On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada. The operating results of ViaWest are included in the Company's consolidated financial statements from the date of acquisition. Revenue and net loss for 2015 were $246 and $17, respectively.

In connection with the transaction, the Company incurred $4 of acquisition related costs in fiscal 2014 for professional fees paid to lawyers, consultants and advisors. During the current year, the Company incurred additional acquisition related costs of $6.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

The purchase consideration consisted of $898 of cash and issuance of share-based awards of $8. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	5
Receivables	10
Other current assets	5
Property and equipment	311
Other long-term assets	2
Intangibles[(1)]	404
Goodwill, not deductible for tax[(2)]	674
	1,411
Current liabilities	16
Current debt[(3)]	7
Deferred income taxes	76
Long-term debt[(3)]	406
	906

(1) Intangibles include a trade name, customer relationships and software assets.

(2) Goodwill comprises the value of upside and expansion potential due to industry growth expectations and demand for data centre services as well as a strong management team and an assembled workforce.

(3) Current and long-term debt is comprised of amounts that were outstanding under ViaWest's credit facility, finance lease obligations in respect of certain equipment and amounts owing to landlords in respect of financing leasehold improvements.

Other

Effective June 30, 2015, ViaWest acquired 100% of the shares of AppliedTrust Engineering, Inc. ("AppliedTrust"), a provider of security, compliance, DevOps and infrastructure consulting services to a wide range of clients. AppliedTrust's capabilities augment the ViaWest platform with fast enablement of secure hybrid services including IT assessment, migration, compliance consulting, cloud readiness and deeper application support. The purchase consideration consisted of $9 in cash and contingent consideration of $2.

A summary of net assets and preliminary allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Receivables	1
Goodwill, not deductible for tax[(1)]	10
	11

(1) Goodwill comprises the estimated economic value of providing enhanced professional services offerings, growth expectations as well as an assembled workforce with deep expertise in risk management and compliance consulting services.

[all amounts in millions of canadian dollars except share and per share amounts]

Asset dispositions

Sale of wireless spectrum licenses to Rogers Communications Inc. ("Rogers")

During 2013, the Company granted Rogers an option to acquire its wireless spectrum licenses. The exercise of the option and the sale of the wireless spectrum licenses were subject to various regulatory approvals and therefore, the licenses were not classified as assets held for sale. The regulatory reviews concluded during 2015 at which time the transfer was completed. The Company had previously received $50 in respect of the purchase price of the option to acquire the wireless spectrum licenses and a $200 deposit in respect of the option exercise price. The Company received an additional $100 when the transaction completed and recorded a gain of $158.

Sale of Historia and Series+ to Corus Entertainment Inc. ("Corus")

The sale of Historia and Series+ to Corus closed in 2014. Historia and Series+ represented a disposal group within the media segment and accordingly, were not presented as discontinued operations in the statement of income. The Company received sale proceeds of $141 and recorded a gain of $49.

Asset held for sale

A real estate property has been classified as held for sale in the statement of financial position at August 31, 2015 and 2014 and measured at estimated fair value less costs to sell. At August 31, 2015, the property's fair value was based on the sale which closed subsequent to year end. Previously the estimated fair value had been determined by a commercial real estate service by means of an income capitalization approach.

4. ACCOUNTS RECEIVABLE

	2015 **$**	**2014** **$**
Subscriber and trade receivables	**473**	506
Due from related parties *[note 27]*	**4**	–
Miscellaneous receivables	**17**	19
	494	525
Less allowance for doubtful accounts	**(26)**	(32)
	468	493

Included in operating, general and administrative expenses is a provision for doubtful accounts of $29 (2014 – $38).

5. INVENTORIES

	2015 **$**	**2014** **$**
Subscriber equipment	**54**	114
Other	**6**	5
	60	119

Subscriber equipment includes DTH equipment, DCTs and related customer premise equipment.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

6. OTHER CURRENT ASSETS

	2015 $	2014 $
Program rights	**15**	17
Tax indemnity	**1**	1
Prepaid expenses and other	**62**	55
	78	73

7. INVESTMENTS AND OTHER ASSETS

	2015 $	2014 $
Publicly traded company	**4**	7
Investments in private entities	**49**	53
Investment in a joint venture	**44**	–
	97	60

During 2015, the Company recorded an unrealized loss of $3 (2014 – $2) in respect of its investment in a publicly traded company (see note 20).

The Company has a portfolio of minor investments in various private entities.

The Company has a 50% joint control interest in shomi, which is a subscription video-on-demand service that launched in November 2014. The Company's interest in shomi is accounted for using the equity method. Summarized financial information at August 31, 2015 and for the ten months then ended is as follows:

	$
Current assets	28
Non-current assets	132
Current liabilities	(54)
Non-current liabilities	(16)
Partnership net assets	90
Carrying amount of the investment[1]	44

	$
Revenue	18
Expenses	128
Partnership net loss	110
Equity loss in the partnership[1]	56

[1] The Company's carrying amount of the investment and equity loss does not equal 50% of the partnership's net assets and net loss due to elimination of unrealized profit on downstream transactions between the Company and shomi.

[all amounts in millions of canadian dollars except share and per share amounts]

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2015			August 31, 2014		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**4,984**	**2,506**	**2,478**	4,728	2,377	2,351
Digital cable terminals and modems	**808**	**447**	**361**	833	483	350
Satellite audio, video and data network and DTH receiving equipment	**174**	**96**	**78**	186	83	103
Transmitters, broadcasting, communications and production equipment	**109**	**62**	**47**	104	50	54
Land and buildings	**625**	**207**	**418**	441	181	260
Data centre infrastructure, data processing and other	**860**	**270**	**590**	396	169	227
Assets under construction	**248**	**–**	**248**	307	–	307
	7,808	**3,588**	**4,220**	6,995	3,343	3,652

Changes in the net carrying amounts of property, plant and equipment for 2015 and 2014 are summarized as follows:

	August 31, 2014							August 31, 2015
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,351	472	12	–	(354)	(3)	–	2,478
Digital cable terminals and modems	350	205	–	–	(194)	–	–	361
Satellite audio, video and data network and DTH receiving equipment	103	–	–	–	(25)	–	–	78
Transmitters, broadcasting, communications and production equipment	54	8	–	–	(15)	–	–	47
Land and buildings	260	7	110	54	(26)	–	13	418
Data centre infrastructure, data processing and other	227	107	93	256	(125)	(19)	51	590
Assets under construction	307	188	(215)	1	–	(33)	–	248
	3,652	987	–	311	(739)	(55)	64	4,220

[all amounts in millions of canadian dollars except share and per share amounts]

	August 31, 2013 Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	August 31, 2014 Net book value $
Cable and telecommunications distribution system	2,255	444	2	(341)	(9)	2,351
Digital cable terminals and modems	341	209	–	(200)	–	350
Satellite audio, video and data network and DTH receiving equipment	87	43	–	(27)	–	103
Transmitters, broadcasting, communications and production equipment	61	10	–	(17)	–	54
Land and buildings	279	2	–	(20)	(1)	260
Data processing and other	199	38	62	(50)	(22)	227
Assets under construction	148	223	(64)	–	–	307
	3,370	969	–	(655)	(32)	3,652

In 2015, the Company recognized a gain of $6 (2014 – loss of $1) on the disposal of property, plant and equipment. The write-down of assets in 2015 was in respect of development of a certain Internet Protocol Television (“IPTV”) platform which forms part of the common infrastructure for the Consumer and Business Network Services divisions.

9. OTHER LONG-TERM ASSETS

	2015 $	2014 $
Equipment costs subject to a deferred revenue arrangement	**225**	247
Customer equipment financing receivables	**8**	12
Credit facility arrangement fees	**3**	2
Other	**23**	22
	259	283

Amortization provided in the accounts for 2015 amounted to $165 (2014 – $142) and was recorded as amortization of deferred equipment costs and other amortization.

[all amounts in millions of canadian dollars except share and per share amounts]

10. INTANGIBLES AND GOODWILL

	2015 $	2014 $
Broadcast rights and licenses		
Cable systems	**4,015**	4,015
DTH and satellite services	**1,013**	1,013
Television broadcasting	**1,313**	1,313
	6,341	6,341
Program rights and advances	**280**	293
Goodwill		
Non-regulated satellite services	**73**	88
Cable and telecommunications systems	**73**	73
Television broadcasting	**537**	537
Data centre services	**823**	–
	1,506	698
Wireless spectrum licenses	**–**	191
Other intangibles		
Software	**275**	256
Customer relationships	**472**	79
Trademark and brands	**91**	38
	838	373
Net book value	**8,965**	7,896

Broadcast rights and licenses, trademark, brands and wireless spectrum licenses have been assessed as having indefinite useful lives. While licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licenses $	Trademark and brands $	Goodwill $	Wireless spectrum licenses $
September 1, 2013 and 2014	6,341	38	698	191
Business acquisitions *[note 3]*	–	44	684	–
Disposition *[note 3]*	–	–	–	(191)
Write-down	–	–	(15)	–
Foreign currency translation	–	9	139	–
August 31, 2015	**6,341**	**91**	**1,506**	**–**

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Intangibles subject to amortization are as follows:

	August 31, 2015			August 31, 2014		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Program rights and advances	**671**	**376**	**295**	699	389	310
Software	**241**	**150**	**91**	227	139	88
Software under construction	**184**	**–**	**184**	168	–	168
Customer relationships	**514**	**42**	**472**	87	8	79
	1,610	**568**	**1,042**	1,181	536	645
Less current portion of program rights			**15**			17
			1,027			628

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2013	300	108	108	85	601
Additions	414	20	64	–	498
Transfers	–	4	(4)	–	–
Amortization	(404)	(43)	–	(6)	(453)
Write-down	–	(1)	–	–	(1)
August 31, 2014	310	88	168	79	645
Additions	390	43	37	–	470
Transfers	–	3	(3)	–	–
Business acquisition *[note 3]*	–	5	–	355	360
Amortization	(405)	(49)	–	(32)	(486)
Write-down	–	–	(18)	–	(18)
Foreign currency translation	–	1	–	70	71
August 31, 2015	295	91	184	472	1,042

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2015 and as a result, an impairment charge of $15 was recorded with respect to goodwill associated with the Tracking operations in the Satellite cash generating unit. The Company estimated the recoverable amount using a discounted cash flow analysis based on the most recent estimates of future operating results which are reflective of long-term pressures as customers migrate from satellite based tracking to wireless tracking. The recoverable amount of the other cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licenses for each of the Cable, Satellite and Media cash generating units as at March 1, 2015 would not result in any impairment loss. The data centre cash generating unit was created with the acquisition of ViaWest. A hypothetical decline of 10% in the recoverable amount of the data centre cash generating unit as at March 1, 2015 would result in an impairment loss and is reflective of the Company acquiring ViaWest at fair value on September 2, 2014. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would cause the carrying amount of the Data centres CGU to exceed its recoverable amount by approximately $200 and $150, respectively. In order for the CGU's recoverable amount to be equal to the carrying amount and holding all other assumptions constant, the discount rate would have to be 8.75% or terminal growth rate would have to be 6%. These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. The extent of any such impairment loss would be determined after incorporating any consequential effects of that change on estimated operating income before restructuring costs and amortization and on other factors. Any changes in economic conditions since the impairment testing conducted as at March 1, 2015 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2015.

[all amounts in millions of canadian dollars except share and per share amounts]

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2015, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	**Terminal growth rate**	**Terminal operating income before restructuring costs and amortization multiple**
Cable	8.0%	1.0%	6.0X
Satellite	8.5%	0.0%	5.0X
Media	8.5%	0.0%	6.5X
Data centres	8.5%	6.3%	10.0X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	**1% decrease in terminal growth rate**	**0.5 times decrease in terminal operating income before restructuring costs and amortization multiple**
Cable	8.0%	5.0%	3.0%
Satellite	7.0%	n/a	3.0%
Media	7.0%	n/a	2.0%
Data centres	19.0%	16.0%	2.0%

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015 $	**2014 $**
Trade	**81**	44
Program rights	**79**	74
CRTC benefit obligations	**28**	30
Accrued liabilities	**339**	335
Accrued network fees	**109**	107
Interest and dividends	**229**	215
Related parties *[note 27]*	**22**	23
	887	828

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2015 and 2014

[all amounts in millions of canadian dollars except share and per share amounts]

12. PROVISIONS

	Asset retirement obligations $	Restructuring[(1)] $	Other $	Total $
September 1, 2013	9	–	26	35
Additions	–	58	12	70
Reversal	–	–	(4)	(4)
Payments	–	(45)	(3)	(48)
August 31, 2014	9	13	31	53
Additions	1	52	11	64
Reversal	–	–	(6)	(6)
Payments	–	(48)	(1)	(49)
August 31, 2015	10	17	35	62
Current	–	13	31	44
Long-term	9	–	–	9
August 31, 2014	9	13	31	53
Current	–	17	35	52
Long-term	10	–	–	10
August 31, 2015	**10**	**17**	**35**	**62**

(1) During 2014, the Company announced changes to the structure of its operating units to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. In connection with the restructuring of its operations, approximately 400 management and non-customer facing roles were affected by the organizational changes. During 2015, the Company announced a realignment of its customer care operations in the Consumer division into centres of expertise to enhance customer service, and continued its organizational structure realignment efforts including further restructuring of certain functions within its Business Network Services division. In addition, the media division undertook organizational changes as it redefines itself from a traditional broadcaster to the broader focus of a media organization. Approximately 1,700 employees were affected by the continued restructurings in 2015. Restructuring amounts are primarily in respect of severance and employee related costs. The majority of remaining costs at August 31, 2015 are expected to be paid within the next six months.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

13. LONG-TERM DEBT

		2015			2014		
	Effective interest rates %	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $
Corporate							
Bank loans	Variable	**434**	**–**	**434**	–	–	–
Cdn fixed rate senior notes-							
6.15% due May 9, 2016	6.34	**299**	**1**	**300**	298	2	300
5.70% due March 2, 2017	5.72	**399**	**1**	**400**	398	2	400
5.65% due October 1, 2019	5.69	**1,245**	**5**	**1,250**	1,244	6	1,250
5.50% due December 7, 2020	5.55	**497**	**3**	**500**	497	3	500
4.35% due January 31, 2024	4.35	**497**	**3**	**500**	497	3	500
6.75% due November 9, 2039	6.89	**1,418**	**32**	**1,450**	1,417	33	1,450
		4,789	**45**	**4,834**	4,351	49	4,400
Cdn variable rate senior notes- Due February 1, 2016		**300**	**–**	**300**	299	1	300
		5,089	**45**	**5,134**	4,650	50	4,700
Other							
ViaWest – credit facility	Variable	**506**	**12**	**518**	–	–	–
ViaWest – other	Various	**34**	**–**	**34**	–	–	–
Burrard Landing Lot 2 Holdings Partnership	4.68	**40**	**–**	**40**	40	–	40
Total consolidated debt		**5,669**	**57**	**5,726**	4,690	50	4,740
Less current portion		**608**	**1**	**609**	–	–	–
		5,061	**56**	**5,117**	4,690	50	4,740

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2014, the Company amended the terms of the facility to extend the maturity date from January 2017 to December 2019. The credit facility has a feature whereby the Company may request an additional $500 of borrowing capacity so long as no event of default or pending event of default has occurred and is continuing or would occur as a result of the increased borrowings. No lender has any obligation to participate in the requested increase unless it agrees to do so at its sole discretion. Funds are available to the Company in both Canadian and US dollars. At August 31, 2015, $1 has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2015 was 1.57%. No amounts were drawn under the under the credit facility during 2014. The effective interest rate on the revolving term facility for 2015 was 3.24% (2014 – 3.38%).

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On January 31, 2014, the Company issued $500 senior notes at a rate of 4.35% due January 31, 2024 and $300 floating rate senior rates due February 1, 2016. The $300 senior notes bear interest at an annual rate equal to three month CDOR plus 0.69%.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Other

ViaWest

During 2015, ViaWest's credit facility which was assumed on acquisition was repaid with proceeds from a new credit facility. ViaWest's prior credit facility was scheduled to mature in May 2017 and was secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement. On September 2, 2014, ViaWest's credit facility consisted of a term loan of US $322 and US $28 of borrowings under a US $40 revolving facility. The term loan had quarterly principal repayments of US $1 with the balance due on maturity. Interest rates fluctuated with LIBOR, US prime, US Federal Funds and Eurodollar rates. ViaWest had a US $130 interest rate swap which hedged the exposure to changes in cash flows and minimized variability related to its prior credit facility. The interest rate swap terminated in June 2015. The new facility consists of a term loan in the amount of US $395 and a revolving credit facility of US $85. Commencing August 2015, the term loan has quarterly principal repayments of US $1 with the balance due on maturity in March 2022 while the revolving credit facility matures in March 2020. Interest rates fluctuate with LIBOR, US prime and US Federal Funds rates and the facilities are secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement.

Finance lease obligations and amounts owing to landlords in connection with financing of leasehold improvements expire and mature at various dates through to 2023. Collateral has been provided as security for the related transactions and agreements as required. The effective interest rates on the obligations range from 4.42% to 9.39%.

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt retirement costs

On February 18, 2014, the Company redeemed the 6.50% senior notes. In connection with the early redemption, the Company incurred costs of $7 and wrote-off the remaining finance costs of $1.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2015.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2016	609
2017	408
2018	9
2019	10
2020	1,695
Thereafter	2,995
	5,726

[all amounts in millions of canadian dollars except share and per share amounts]

Interest expense

	2015 $	2014 $
Interest expense – long-term debt	**299**	281
Amortization of senior notes discounts	**2**	2
Interest income – short-term (net)	**(2)**	(5)
Capitalized interest	**(16)**	(12)
	283	266

14. OTHER LONG-TERM LIABILITIES

	2015 $	2014 $
Pension liabilities *[note 26]*	**119**	174
CRTC benefit obligations	**23**	48
Post retirement liabilities *[note 26]*	**22**	18
Share-based awards	**11**	–
Program rights liabilities	**5**	5
Other	**6**	6
	186	251

15. DEFERRED CREDITS

	2015 $	2014 $
IRU prepayments	**449**	461
Equipment revenue	**111**	128
Connection fee and installation revenue	**24**	19
Proceeds on wireless spectrum license option *[note 3]*	**–**	50
Refundable deposit on wireless spectrum license *[note 3]*	**–**	200
Deposit on future fibre sale	**2**	2
Other	**2**	2
	588	862

Amortization of deferred credits for 2015 amounted to $100 (2014 – $89) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2015 amounted to $12 (2014 – $12) and was recorded as other amortization. Amortization of equipment revenue for 2015 amounted to $78 (2014 – $69). Amortization of connection fee and installation revenue for 2015 amounted to $10 (2014 – $8) and was recorded as revenue.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

16. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2015	2014		2015	2014
Number of securities			$	$
22,420,064	22,420,064	Class A Shares	**2**	2
451,471,562	439,606,326	Class B Non-Voting Shares	**3,205**	2,887
12,000,000	12,000,000	Series A Preferred Shares	**293**	293
485,891,626	474,026,390		**3,500**	3,182

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2015 and 2014 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2013	22,520,064	2	430,306,542	2,660
Class A share conversions	(100,000)	–	100,000	–
Stock option exercises	–	–	3,431,548	81
Dividend reinvestment plan	–	–	5,768,236	146
August 31, 2014	22,420,064	2	439,606,326	2,887
Stock option exercises	–	–	5,871,621	152
Dividend reinvestment plan	–	–	5,993,615	166
August 31, 2015	22,420,064	2	451,471,562	3,205

Series A Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") represent a series of class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

[all amounts in millions of canadian dollars except share and per share amounts]

17. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2015 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2015, 30,632,531 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2015		2014	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**16,477,563**	**22.34**	19,555,441	21.71
Granted	**2,911,250**	**28.29**	1,633,000	25.76
Forfeited	**(978,528)**	**25.12**	(1,279,330)	22.12
Exercised(1)	**(5,871,621)**	**21.94**	(3,431,548)	20.46
Outstanding, end of year	**12,538,664**	**23.70**	16,477,563	22.34

(1) The weighted average Class B Non-Voting Share price for the options exercised was $29.28.

The following table summarizes information about the options outstanding at August 31, 2015:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$16.30 – $19.99	2,696,237	3.89	19.15	2,615,737	19.14
$20.00 – $24.99	6,020,777	4.32	23.25	4,611,027	23.30
$25.00 – $30.87	3,821,650	8.31	27.61	616,650	26.26

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2015 was $2.85 (2014 – $2.61) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2015	2014
Dividend yield	**3.96%**	4.18%
Risk-free interest rate	**1.41%**	1.61%
Expected life of options	**6 years**	5 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**19.1%**	19.6%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2015, $2 was recognized as compensation expense (2014 – $3). The carrying value and intrinsic value of DSUs at August 31, 2015 was $15 and $13, respectively (August 31, 2014 – $13 and $11, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions.

During 2015, $6 was recorded as compensation expense (2014 – $5).

Share appreciation rights

A subsidiary of the Company grants SARs to eligible employees of ViaWest. A SAR entitles the holder to the appreciation in value of one share of ViaWest over the exercise price over a period of time. SARs granted to ViaWest employees post-acquisition vest 25% per year over four years, have a 10 year contractual term and are cash settled. During 2015, $4 was recognized as compensation expense. The carrying value of SARs liabilities, including the SARs granted as partial consideration for the acquisition of ViaWest (see note 3), at August 31, 2015 was $13. At August 31, 2015, no SARs had vested.

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2015	**2014**
Numerator for basic and diluted earnings per share ($)		
Net income	**880**	887
Deduct: net income attributable to non-controlling interests in subsidiaries	**(24)**	(30)
Deduct: dividends on Series A Preferred Shares	**(14)**	(14)
Net income attributable to common shareholders	**842**	843
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**468**	457
Effect of potentially dilutive securities(1)	**3**	2
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**471**	459
Earnings per share ($)		
Basic	**1.80**	1.84
Diluted	**1.79**	1.84

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2015, 2,548,433 options were excluded from the diluted earnings per share calculation (2014 – 1,729,227).

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2015 and 2014

[all amounts in millions of canadian dollars except share and per share amounts]

19. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares are entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares will have the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%.

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2015 and 2014 are as follows:

2015		2014	
Class A Voting Share	**Class B Non-Voting Share**	**Class A Voting Share**	**Class B Non-Voting Share**
1.1613	1.1638	1.0775	1.0800

The dividends per share recognized as distributions to holders of Series A Preferred Shares was $1.125 during each of the years ended August 31, 2015 and 2014.

On June 25, 2015, the Company declared dividends of $0.28125 per Series A Preferred Share which were paid on September 30, 2015. The total amount paid was $3 of which $1 was not recognized as at August 31, 2015.

On October 22, 2015, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 30, 2015, January 28, 2016 and February 26, 2016 to shareholders of record at the close of business on December 15, 2015, January 15, 2016 and February 12, 2016, respectively.

On October 22, 2015, the Company declared dividends of $0.28125 per Series A Preferred Share payable on December 31, 2015 to holders of record at the close of business on December 15, 2015.

[all amounts in millions of canadian dollars except share and per share amounts]

20. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2015 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**8**	**(2)**	**6**
Adjustment for hedged items recognized in the period	**(8)**	**2**	**(6)**
Unrealized loss on available-for-sale investment	**(3)**	**–**	**(3)**
Exchange differences on translation of a foreign operation	**184**	**–**	**184**
Exchange differences on translation of US debt hedging a foreign operation	**(74)**	**–**	**(74)**
	107	**–**	**107**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**7**	**–**	**7**
	114	**–**	**114**

Components of other comprehensive loss and the related income tax effects for 2014 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	3	–	3
Adjustment for hedged items recognized in the period	(6)	1	(5)
Unrealized loss on available-for-sale investment	(2)	–	(2)
	(5)	1	(4)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(58)	16	(42)
	(63)	17	(46)

Accumulated other comprehensive loss is comprised of the following:

	2015 $	2014 $
Items that may subsequently be reclassified to income		
Unrealized loss on available-for-sale investment	**(5)**	(2)
Foreign currency translation adjustments	**110**	–
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(124)**	(131)
	(19)	(133)

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2015 $	2014 $
Employee salaries and benefits	**987**	945
Purchases of goods and services	**2,174**	2,092
	3,161	3,037

22. OTHER LOSSES

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a write-down of $6 in respect of the property classified as held for sale, distributions of $27 from a venture capital fund investment, a write-down of $27 in respect of a private portfolio investment and additional proceeds of $15 related to the fiscal 2012 Shaw Court insurance claim while the comparative year includes a refund of $5 from the Canwest CCAA plan implementation fund and proceeds of $6 in respect of the aforementioned insurance claim. In addition, the current and prior year both include asset write-downs of $55 and $6, respectively. The write-down of assets in the current year related to assets in respect to development of a certain IPTV platform which the Company has now abandoned.

23. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2015 $	2014 $
Deferred tax assets	**14**	26
Deferred tax liabilities	**(1,135)**	(1,105)
Net deferred tax liability	**(1,121)**	(1,079)

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licenses, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Foreign exchange on long-term debt and fair value of derivative instruments $	Total $
Balance at September 1, 2013	(140)	(813)	(267)	6	73	(1)	(1,142)
Recognized in statement of income	(37)	(5)	107	–	(19)	–	46
Recognized in other comprehensive income	–	–	–	–	16	1	17
Balance at August 31, 2014	(177)	(818)	(160)	6	70	–	(1,079)
Recognized in statement of income	(25)	(21)	107	34	(33)	–	62
Recognized on ViaWest business acquisition	(9)	(142)	–	46	29	–	(76)
Recognized in other comprehensive income:							
Foreign currency translation adjustments	–	(29)	–	12	1	–	(16)
Actuarial gains/losses	–	–	–	–	(12)	–	(12)
Balance at August 31, 2015	**(211)**	**(1,010)**	**(53)**	**98**	**55**	**–**	**(1,121)**

The Company has capital loss carryforwards of approximately $61 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2015 $	2014 $
Current statutory income tax rate	**25.7%**	26.0%
Income tax expense at current statutory rates	**302**	311
Net increase (decrease) in taxes resulting from:		
Non-taxable portion of capital gains	**(24)**	(8)
Effect of tax rate changes	**34**	–
Recognition of previously unrecognized tax losses	**–**	(1)
Other	**(18)**	6
Income tax expense	**294**	308

Due to foreign operations, the statutory income tax rate for the Company decreased from 26.0% in 2014 to 25.7% in 2015.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

The components of income tax expense are as follows:

	2015 $	2014 $
Current income tax expense	**356**	355
Current income tax recovery from recognition of previously unrecognized tax losses	**–**	(1)
	356	354
Deferred tax recovery related to temporary differences	**(96)**	(46)
Deferred tax expense from tax rate changes	**34**	–
Income tax expense	**294**	308

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Consumer, Business Network Services, Business Infrastructure Services and Media. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as restructuring costs and amortization. As a result of the restructuring undertaken late in 2014, the Company reorganized its residential and enterprise services, previously included in the Cable and Satellite segments, into Consumer and Business Network Services segments, respectively with no change to the Media operating segment. The Consumer division provides Cable telecommunications services including Video, Internet, WiFi and Digital Phone, and Satellite Video, to Canadian consumers. The Business Network Services segment provides data networking, video, voice and Internet services through a national fibre-optic backbone network and also provides satellite Video services, and fleet tracking services to North American businesses and public sector entities. Comparative results have been restated to reflect the new business segments. The Business Infrastructure Services segment was created with the acquisition of ViaWest on September 2, 2014, and provides data centre colocation, cloud and managed services to North American businesses. All of the Company's operations are substantially located in Canada with the exception of ViaWest which is located in the United States.

	2015 $	2014 $
Revenue		
Consumer	**3,752**	3,768
Business Network Services	**520**	484
Business Infrastructure Services	**246**	–
Media	**1,080**	1,096
	5,598	5,348
Intersegment eliminations	**(110)**	(107)
	5,488	5,241
Operating income before restructuring costs and amortization		
Consumer	**1,686**	1,669
Business Network Services	**256**	240
Business Infrastructure Services	**95**	–
Media	**342**	353
	2,379	2,262
Restructuring costs[1]	**(52)**	(58)
Amortization[1]	**(895)**	(765)
Operating income	**1,432**	1,439
Interest[1]		
Operating	**281**	264
Other/non-operating	**2**	2
	283	266
Current taxes[1]		
Operating	**375**	359
Other/non-operating	**(19)**	(5)
	356	354

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2015 and 2014

[all amounts in millions of canadian dollars except share and per share amounts]

Capital expenditures

	2015 $	2014 $
Capital expenditures accrual basis		
Consumer and Business Network Services[2]	**870**	1,006
Business Infrastructure Services	**152**	–
Media	**16**	18
	1,038	1,024
Equipment costs (net of revenue)		
Consumer and Business Network Services	**84**	71
Capital expenditures and equipment costs (net)		
Consumer and Business Network Services[2]	**954**	1,077
Business Infrastructure Services	**152**	–
Media	**16**	18
	1,122	1,095
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**939**	976
Additions to equipment costs (net)	**72**	56
Additions to other intangibles	**79**	84
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,090**	1,116
Increase (decrease) in working capital and other liabilities related to capital expenditures	**49**	(7)
Decrease in customer equipment financing receivables	**12**	15
Less: Proceeds on disposal of property, plant and equipment	**(26)**	(26)
Less: Satellite equipment profit[2]	**(3)**	(3)
Total capital expenditures and equipment costs (net) reported by segments	**1,122**	1,095

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmental basis.

(2) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and license fees for each transponder from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term operating commitments as follows:

	$
2016	635
2017 – 2020	948
Thereafter	388
	1,971

[all amounts in millions of canadian dollars except share and per share amounts]

Comprised of:	$
Program related agreements	551
Lease of transmission facilities, circuits and premises	643
Lease and maintenance of transponders	659
Exclusive rights to use intellectual property	61
Other (primarily maintenance and support contracts)	57
	1,971

Included in operating, general and administrative expenses are transponder maintenance expenses of $80 (2014 – $80) and rental expenses of $134 (2014 – $107).

(iii) At August 31, 2015, the Company had capital expenditure commitments in the normal course of business of $23 in respect of fiscal 2016.

(iv) As part of the CRTC decisions approving the acquisition of the broadcasting businesses in 2012 and 2011, the Company is required to contribute approximately $182 in new benefits to the Canadian broadcasting system over seven years. The obligations have been recorded in the income statement at fair value, being the sum of the discounted future net cash flows using appropriate discount rates. At August 31, 2015, the remaining expenditure commitments in respect of these obligations is $57 which will be funded over future years through fiscal 2019.

(v) In late fiscal 2014, the Company partnered with Rogers to form shomi, a new subscription video-on-demand service which launched in beta in early November 2014. The Company's remaining capital commitment is $58 of which, $9 was funded subsequent to year end.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2015, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

[all amounts in millions of canadian dollars except share and per share amounts]

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2015, the guarantee instruments amounted to $4. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2016.

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and certain union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $38 (2014 – $37) of which $26 (2014 – $24) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives and several registered pension plans for certain employees in the media business. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2015 $	2014 $
Unregistered plans		
Accrued benefit obligation	**509**	493
Fair value of plan assets	**391**	330
	118	163
Registered plans		
Accrued benefit obligation	**173**	171
Fair value of plan assets	**172**	160
	1	11
Accrued benefit liabilities and deficit	**119**	174

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. The plan was also amended to provide funding of up to 90% of the accrued benefit obligation over a period of six years. Employees are not required to contribute to this plan. Subsequent to year end, the Company made contributions of $25 to a Retirement Compensation Arrangement Trust ("RCA").

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan. Annually the employer is to fund 90% of the accrued benefit obligation. Subsequent to year end, the Company made contributions of $2 to an RCA.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2015 Total $	SERP $	ERP $	2014 Total $
Accrued benefit obligation, beginning of year	**487**	**6**	**493**	404	2	406
Current service cost	**7**	**2**	**9**	9	3	12
Interest cost	**20**	**–**	**20**	19	–	19
Payment of benefits	**(13)**	**–**	**(13)**	(10)	–	(10)
Gain on settlement	**–**	**(1)**	**(1)**	–	–	–
Remeasurements:						
Effect of changes in demographic assumptions	**(11)**	**–**	**(11)**	1	–	1
Effect of changes in financial assumptions	**1**	**–**	**1**	51	1	52
Effect of experience adjustments	**11**	**–**	**11**	13	–	13
Accrued benefit obligation, end of year	**502**	**7**	**509**	487	6	493
Fair value of plan assets, beginning of year	**328**	**2**	**330**	302	–	302
Employer contributions	**55**	**2**	**57**	13	2	15
Interest income	**14**	**–**	**14**	15	–	15
Payment of benefits	**(13)**	**–**	**(13)**	(10)	–	(10)
Return on plan assets, excluding interest income	**3**	**–**	**3**	8	–	8
Fair value of plan assets, end of year	**387**	**4**	**391**	328	2	330
Accrued benefit liability and plan deficit, end of year	**115**	**3**	**118**	159	4	163

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2015 is 15.3 years and 22.5 years, respectively.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

The underlying plan assets of the SERP and ERP at August 31, 2015 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**215**	**2**
Fixed income securities	**93**	**1**
Equity securities – Canadian	**21**	**–**
Equity securities – Foreign	**58**	**1**
	387	**4**

All fixed income and equity securities have a quoted price in active market.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2015 SERP %	2015 ERP %	2014 SERP %	2014 ERP %
Discount rate	**4.10**	**4.10**	4.00	4.00
Rate of compensation increase	**5.00[(1)]**	**3.00**	5.00[(1)]	3.00

Benefit cost for the year	2015 SERP %	2015 ERP %	2014 SERP %	2014 ERP %
Discount rate	**4.00**	**4.00**	4.75	4.75
Rate of compensation increase	**5.00[(1)]**	**3.00**	5.00[(1)]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2015 by $84. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $13.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2015 Total $	SERP $	ERP $	2014 Total $
Current service cost	**7**	**2**	**9**	9	3	12
Interest cost	**20**	**–**	**20**	19	–	19
Interest income	**(14)**	**–**	**(14)**	(15)	–	(15)
Pension expense	**13**	**2**	**15**	13	3	16

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Registered pension plans

The Company has a number of funded defined benefit pension plans which provide pension benefits to certain unionized and non-unionized employees in the media business. Benefits under these plans are based on the employees' length of service and final average salary. These plans are regulated by the Office of the Superintendent of Financial Institutions, Canada in accordance with the provisions of the Pension Benefits Standards Act and Regulations. The regulations set out minimum standards for funding the plans.

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2015 $	2014 $
Accrued benefit obligation, beginning of year	**171**	152
Current service cost	**6**	5
Interest cost	**7**	7
Employee contributions	**1**	1
Payment of benefits	**(8)**	(10)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	1
Effect of changes in financial assumptions	**(1)**	15
Effect of experience adjustments	**(3)**	–
Accrued benefit obligation, end of year	**173**	171
Fair value of plan assets, beginning of year	**160**	133
Employer contributions	**10**	12
Employee contributions	**1**	1
Interest income	**7**	7
Payment of benefits	**(8)**	(10)
Administrative expenses paid from plan assets	**(1)**	(1)
Return on plan assets, excluding interest income	**3**	18
Fair value of plan assets, end of year	**172**	160
Accrued benefit liability and plan deficit, end of year	**1**	11

The weighted average duration of the defined benefit obligation at August 31, 2015 is 16.3 years.

The plan assets at August 31, 2015 are comprised of investments in pooled funds as follows:

	$
Equity – Canadian	**46**
Equity – Foreign	**27**
Fixed income – Canadian	**99**
	172

The underlying securities in the pooled funds have quoted prices in an active market.

[all amounts in millions of canadian dollars except share and per share amounts]

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans.

Accrued benefit obligation	2015 %	2014 %
Discount rate	**4.10**	4.09
Rate of compensation increase	**3.00**	3.00

Benefit cost for the year	2015 %	2014 %
Discount rate	**4.09**	4.84
Rate of compensation increase	**3.00**	3.50

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2015 by $31. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $6.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2015 $	2014 $
Current service cost	**6**	5
Interest cost	**7**	7
Interest income	**(7)**	(7)
Administrative expenses	**1**	1
Pension expense	**7**	6

[all amounts in millions of canadian dollars except share and per share amounts]

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and retirees in the media business and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2015 $	2014 $
Accrued benefit obligation and plan deficit, beginning of year	**18**	15
Current service cost	**2**	1
Interest cost	**1**	1
Payment of benefits	**(1)**	(1)
Remeasurements:		
Effect of changes in demographic assumptions	**2**	–
Effect of changes in financial assumptions	**(1)**	2
Effect of experience adjustments	**1**	–
Accrued benefit obligation and plan deficit, end of year	**22**	18

The weighted average duration of the benefit obligation at August 31, 2015 is 17.6 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $3 (2014 – $2) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2015 were 4.00% and 4.20%, respectively (2014 – 4.75% and 4.00%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2015 by $4.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2016 are $37.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are indirectly held by the Shaw Family Living Trust ("SFLT"). The sole trustee of SFLT is a private company owned and controlled by JR Shaw and has a Board of Directors which includes JR Shaw and members of his family (the "Shaw Family Group"). The Shaw Family Group includes Directors and Senior Executive and Corporate Officers of the Company.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or formed in Canada with the exception of ViaWest, Inc. which is incorporated in the United States.

	Ownership Interest	
	August 31, 2015	August 31, 2014
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Shaw Media Inc.	**100%**	100%
Shaw Television Limited Partnership	**100%**	100%
ViaWest, Inc.	**100%**	–

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2015 $	2014 $
Short-term employee benefits	**38**	42
Post-employment pension benefits	**15**	17
Retirement benefits	**17**	–
Share-based compensation	**1**	3
	71	62

Transactions

The Company paid $2 (2014 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $6 (2014 – $7) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $12 (2014 – $12) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2015, the Company had $3 owing in respect of these transactions (2014 – $3).

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $113 (2014 – $120), advertising fees of $1 (2014 – $1) and programming fees of $1 (2014 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $1 (2014 – $1), uplink of television signals for $6 (2014 – $5), Internet services and lease of circuits for $1 (2014 – $1) and programming content of $2 (2014 – $1). At August 31, 2015, the Company had a net of $18 owing in respect of these transactions (2014 – $20) and commitments in respect of network program agreements of $7 which are included in the amounts disclosed in note 25.

The sale of the Company's two French-language channels, Historia and Series+, to Corus closed in 2014 (see note 3). In conjunction with the closing, the Company settled the non-interest bearing promissory note of $48 that was owing to Corus in respect of ABC Spark and Food Canada Network transactions that had closed in 2013.

The Company provided Corus with television advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $12 (2014 – $10) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2015, the Company had a remaining commitment of $93 in respect of the office space lease which is included in the amounts disclosed in note 25.

Joint arrangement

During the year, the Company providing programming content and advertising services of $18 and paid $6 in subscriber fees. At August 31, 2015, the Company had a net receivable of $3 in respect of these transactions.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2015 and 2014

[all amounts in millions of canadian dollars except share and per share amounts]

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(vi) Other long-term liabilities

The fair value of program rights payable, estimated by discounting future cash flows, approximates their carrying value. The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of an investment in a publicly traded company, long-term debt and a contingent liability are as follows:

	August 31, 2015		August 31, 2014	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Investment in publicly traded company[1]	**4**	**4**	7	7
Liabilities				
Long-term debt (including current portion)[2]	**5,669**	**6,307**	4,690	5,390
Contingent liability[3]	**2**	**2**	–	–

(1) Level 1 fair value – determined by quoted market prices.

(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(3) Level 3 fair value – determined by valuation techniques using inputs that are not based on observable market data.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

Currency risk

Certain of the Company's capital expenditures and equipment costs in respect of its Canadian operations are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect of capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2015, the Company entered into forward contracts to purchase US $100 over a period of 10 months commencing in November 2014 at an average exchange rate of 1.1586 Cdn. At August 31, 2015 the Company had no forward contracts in respect of US dollar commitments.

The Company's net investment in its foreign operation is exposed to market risk attributable to fluctuations in foreign currency exchange rates in respect of changes in the value of the Canadian dollar versus the US dollar. This risk is partially mitigated as a portion of the purchase price of ViaWest was borrowed in US dollars under the Company's credit facility. At August 31, 2015, the investment in ViaWest amounted to US $812. The exchange rate used to convert US dollars into Canadian dollars for the statement of financial position at August 31, 2015 was $1.3157 Cdn. The impact of a 10% change in the exchange rate would change other comprehensive income by $63.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's unsecured banking facility and ViaWest's credit facilities are based on floating rates, while the senior notes are primarily fixed-rate obligations. The Company utilizes its banking facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2015, 78% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The Company held no foreign exchange forward contracts at August 31, 2015. A portion of the Company's accounts receivable and accounts payable and accrued liabilities in respect of its Canadian operations is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking and credit facilities are based on floating rates and the variable rate senior notes are based on CDOR. There is no significant market risk arising from interest rates fluctuating by reasonably possible amounts from their actual values at August 31, 2015.

A change of one dollar in the market price per share of the Company's publicly traded investment would change other comprehensive loss by $1 at August 31, 2015.

At August 31, 2015, a one dollar change in the Company's Class B Non-Voting Shares would not have had an impact on net income in respect of the Company's DSU plan.

Credit risk

Accounts receivable in respect of the Consumer, Business Networks Services and Business Infrastructure Services divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer bases. For the Media division, a significant portion of sales are made to advertising agencies which results in some concentration of credit risk. At August 31, 2015, approximately 72% (2014 – 61%) of the $186 (2014 – $201) of advertising receivables is due from the ten largest accounts. The largest amount due from an advertising agency is $20 (2014 – $20) which is approximately 11% (2014 – 10%) of advertising receivables. As at August 31, 2015, the Company had accounts receivable of $468 (August 31, 2014 – $493), net of the allowance for doubtful accounts of $26 (August 31, 2014 – $32). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2015, $121 (August 31, 2014 – $129) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

[all amounts in millions of canadian dollars except share and per share amounts]

The Company mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. Credit is extended and credit limits are determined based on credit assessment criteria and credit quality. In addition, the Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2015 are as follows:

	Accounts payable and accrued liabilities[1] $	Other long-term liabilities $	Long-term debt repayable at maturity $	Interest payments $
Within one year	887	–	609	296
1 to 3 years	–	19	417	526
3 to 5 years	–	2	1,705	461
Over 5 years	–	–	2,995	2,042
	887	21	5,726	3,325

(1) Includes accrued interest and dividends of $229.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2015 and 2014
[all amounts in millions of canadian dollars except share and per share amounts]

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from operations

	2015 $	2014 $
Net income	**880**	887
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**899**	768
Program rights	**15**	(10)
Deferred income tax recovery	**(62)**	(46)
CRTC benefit obligation funding	**(31)**	(58)
Gain on sale of media assets *[note 3]*	**–**	(49)
Share-based compensation	**4**	3
Defined benefit pension plans	**(45)**	(5)
Accretion of long-term liabilities and provisions	**3**	6
Equity loss of a joint venture	**56**	–
Gain on sale of wireless spectrum licenses *[note 3]*	**(158)**	–
Impairment of goodwill *[note 10]*	**15**	–
Debt retirement costs *[note 13]*	**–**	8
Write-down of assets *[note 22]*	**55**	6
Write-down of property held for sale *[note 22]*	**6**	–
Write-down of investment *[note 22]*	**27**	–
Distributions from a venture capital fund investment *[note 22]*	**(27)**	–
Other	**–**	14
Funds flow from operations	**1,637**	1,524

(ii) Interest and income taxes paid and interest and distributions received and classified as operating activities are as follows:

	2015 $	2014 $
Interest paid	**283**	283
Income taxes paid (net of refunds)	**488**	137
Interest received	**2**	5

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2015 $	2014 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**166**	146
Non-monetary exchange:		
Exchange of fibre assets for network capacity leases	**–**	5
Lease transactions	**2**	5

[all amounts in millions of canadian dollars except share and per share amounts]

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), and bank indebtedness less cash and cash equivalents.

	August 31, 2015 $	August 31, 2014 $
Cash and cash equivalents	**(398)**	(637)
Long-term debt repayable at maturity	**5,726**	4,740
Share capital	**3,500**	3,182
Contributed surplus	**45**	64
Retained earnings	**1,883**	1,589
	10,756	8,938

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

On December 5, 2014 Shaw received the approval of the TSX to renew its normal course issuer bid to purchase its Class B Non-Voting Shares for a further one year period. The Company is authorized to acquire up to 20,000,000 Class B Non-Voting Shares during the period December 9, 2014 to December 8, 2015.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2015, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

31. SUBSEQUENT EVENT

On November 16, 2015, ViaWest entered into an agreement to acquire 100% of the outstanding shares in INetU, Inc. for US $162. INetU, Inc. is a solutions provider for public, private and hybrid cloud environments in addition to offering managed security and compliance services. The transaction is expected to close by December 31, 2015.

Shaw Communications Inc.
Shareholders' Information
August 31, 2015

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating and an unlimited number of Class B Non-Voting participating shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares. At August 31, 2015, the Company had 22,420,064 Class A Shares and 451,471,562 Class B Non-Voting Shares outstanding. The Class A Shares are listed on the TSX Venture Stock Exchange under the symbol SJR.A. The Class B Non-Voting Shares are listed on the Toronto Stock Exchange under SJR.B and on the New York Stock Exchange under the symbol SJR. The Series A Preferred Shares are listed on the Toronto Stock Exchange under the symbol SJR.PR.A.

Trading Range of Class B Non-Voting Shares on the Toronto Stock Exchange

Quarter	High Close	Low Close	Total Volume
September 1, 2014 to August 31, 2015			
First	30.89	26.92	55,482,111
Second	31.67	29.00	64,805,109
Third	29.30	26.65	56,992,470
Fourth	27.92	25.84	66,995,470
Closing price, August 31, 2015	26.43		

Share Splits

There have been four splits of the Company's shares; July 30, 2007 (2 for 1), February 7, 2000 (2 for 1), May 18, 1994 (2 for 1), and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base (ACB) was reduced for tax purposes.

Shaw Communications Inc.
Corporate Information
August 31, 2015

DIRECTORS

JR Shaw(4)
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
Corporate Director

Adrian L. Burns(3)(4)
Corporate Director

George F. Galbraith(1)
Corporate Director

Dr. Richard R. Green(1)
Corporate Director

Dr. Lynda Haverstock(2)
Corporate Director

Gregory John Keating(2)
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien(1)(4)
Corporate Director

Paul K. Pew(3)(4)
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer(1)
Private Investor

Bradley S. Shaw(4)
Chief Executive Officer
Shaw Communications Inc.

Jim Shaw
Vice Chair
Shaw Communications Inc.

JC Sparkman(2)(4)
Corporate Director

Carl E. Vogel(3)
Private Investor; Senior Advisor to
DISH Network

Sheila C. Weatherill(3)
Corporate Director

Willard (Bill) H. Yuill(2)
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

JR Shaw
Executive Chair

Jim Shaw
Vice Chair

Bradley S. Shaw
Chief Executive Officer

Jay Mehr
Executive Vice President
& Chief Operating Officer

Vito Culmone
Executive Vice President &
Chief Financial Officer

Barbara Williams
Executive Vice President,
Broadcasting & President,
Shaw Media

Chris Kucharski
Senior Vice President, Consumer

Ron McKenzie
Senior Vice President, Business

Nancy Phillips
President & Chief Executive
Officer, ViaWest

Jim Little
Senior Vice President & Chief
Marketing Officer

Peter A. Johnson
Senior Vice President, General
Counsel & Corporate Secretary

Trevor English
Senior Vice President, Corporate
Development and Business
Planning

Morgan Elliott
Senior Vice President, Regulatory
and Government Relations

Arnaud Robert
Senior Vice President, Strategic
Initiatives

Zoran Stakic
Senior Vice President & Chief
Technology Officer

CORPORATE OFFICE
Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.,
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: *www.shaw.ca*

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policies are contained in the Information Circular and is also available on Shaw's website, *www.shaw.ca*

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, *www.shaw.ca*

INTERNET HOME PAGE
Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at *www.shaw.ca*

AUDITORS
Ernst & Young LLP

PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
CST Trust Company, Calgary, AB
Phone: 1-800-387-0825

DEBENTURE TRUSTEE
Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, ON M5J 2Y1
service@computershare.com
Phone : 1-800-564-6253

FURTHER INFORMATION
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at *www.shaw.ca* for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email *investor.relations@sjrb.ca*

All trademarks used in this annual report are the property of Shaw or used under licence.


Shaw

This is Exhibit 26 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

2016 | Annual Report

Shaw)

The Annual General Meeting of Shareholders will be held on January 12, 2017 at 11:00 am (Mountain Time) at the Shaw Court Building, 630 – 3rd Avenue SW, Calgary, Alberta.

Shaw Communications Inc.
Report to Shareholders
August 31, 2016

Dear Fellow Shareholders:

Through bold moves that will help us stay ahead of Canadians' demand for connectivity, we are building a stronger future for Shaw that will drive long-term value for all stakeholders. We continue to make critical investments for growth and deepen our strategic relationships with best-in-class partners, while we capitalize on operational efficiencies. Following a year full of transformative change, intense competition and a slowed economic environment, we are pleased to report solid financial results, driven by our focus to deliver exceptional customer experiences.

In 2016, Shaw repositioned itself for the future as a leading enhanced connectivity provider that will connect our customers to the world and everything in it. By adding the critical wireless platform to our existing fibre and coax networks, we can build and deliver a world-class converged network. We have taken important steps to make our broadband and Wi-Fi products even stronger, which include enhancing the availability of the best possible speeds at the best possible prices right across our footprint. We are also delivering innovative ways for Canadians to find and enjoy their favourite content on all devices. For small and medium sized businesses, we have expanded our products and services with innovative new offerings that are tailored to this segment of the market.

Strategic Transformation

With the completion of two transformative transactions in 2016 and other significant strategic initiatives and acquisitions in recent years, we have strengthened the growth profile of Shaw. Our growth segments, comprised of Wireless, Business Network Services and Business Infrastructure Services will continue to be key contributors to our success.

In March 2016, we completed the acquisition of WIND Mobile for approximately $1.6 billion, opening the door to wireless product offerings and reinforcing our commitment to providing customers with options and choice. The acquisition also provides Shaw with a solid foundation of spectrum holdings, management expertise and existing subscriber scale, which accelerates, and lowers the risk of, Shaw's entry into the Canadian wireless market in comparison to building our own wireless platform. We have made significant progress on our path towards an LTE Advanced network as we continue to integrate our fibre, coax, Wi-Fi and wireless facilities to create a converged network that is capable of delivering a seamless customer experience.

Our transformational shift was completed in April 2016 with the sale of Shaw Media Inc. ("Shaw Media") to Corus Entertainment Inc. ("Corus") for total consideration of approximately $2.65 billion. This transaction crystallized value creation for Shaw shareholders since acquiring the broadcasting business of Canwest Global in 2010. As part of the transaction, Shaw maintained a substantial equity stake in Corus, allowing Shaw shareholders to participate in the upside potential resulting from the combination of Shaw Media and Corus.

Operations

We enter fiscal 2017 with a solid foundation in place to execute on our strategic initiatives. We continue to improve our network through the ongoing implementation of DOCSIS 3.1 and use this to our advantage in the marketplace. The July launch of WideOpen Internet 150 builds upon the investments made over the past several years to enhance the quality and capacity of our network. WideOpen Internet 150 became available to a wide customer base in the fourth quarter, giving more than 90% of our footprint access to an attractive balance of top-tier speeds and affordability. Early in the fiscal year, we enhanced the speeds of our Shaw Go WiFi network six-fold for our mid-tier and top-tier Internet customers to enjoy at approximately 85,000 hotspots across western Canada.

Customers of our Consumer and Business Network Services divisions continued to benefit from the combination of our network investments and our commitment to bring to market innovative products and services that are industry solutions led by global partners with scale. In January 2016, we launched FreeRange TV, a mobile destination for our 2.6 million video customers that combines their TV and content subscriptions in one place, and provides on-the-go access to live and on-demand content. FreeRange TV uses Comcast's world-class X1 platform – the latest in cloud-based and mobile video technology – and represents the first step in the evolution of Shaw's new video product roadmap.

Business Network Services continued to make strong advances in becoming trusted advisors to small and medium sized businesses. Applying a managed services strategy developed in partnership with Broadsoft, Cisco and Meraki, we have launched SmartVoice, SmartWiFi, and SmartSecurity, making it easy for these businesses to harness technology advances for their connectivity and IT needs.

Shaw Communications Inc.
Report to Shareholders
August 31, 2016

Our Business Infrastructure Services division continues its industry leadership in providing hybrid IT solutions, including colocation, cloud and managed services, by leveraging ViaWest's established track record. We have expanded our capacity and geographic reach with the acquisition of INetU and the opening of ViaWest's newest data centre in the Dallas suburb of Plano, Texas.

Growth

As a leading enhanced connectivity provider, the growth potential for our business is compelling. Customers are becoming more connected in more ways – from smart phones and tablets to connected appliances and vehicles, to virtual offices. As our customers spend more of their time in the digital environment, they increasingly need and expect an always-on, seamless connectivity experience. This requires multiple technological platforms that are combined effectively. Shaw is in a strong position to grow as we develop a world-class converged network and provide this seamless experience.

The marketplace continues to evolve rapidly, spurred by the possibilities of the Internet and the creativity it fosters. Our strategy is to drive growth in each of our businesses by leveraging the opportunities available to us, including our network platforms, our partnerships and our focus to deliver exceptional customer experiences.

Our video and network technology and product roadmaps will ensure we have the best experiences available for our customers. By the end of fiscal 2017, we expect to have the X1 set-top box available across western Canada and DOCSIS 3.1 implemented throughout our wireline network, enabling Internet speeds of 1GB and more. Our wireless offering will also strengthen as we complete the LTE Advanced upgrade in major metropolitan centres in Ontario, British Columbia and Alberta.

People

We are humbled that millions of people across Canada trust Shaw and our people every day to help them stay connected to their communities and the world. Each year, we are also grateful for the opportunity to support hundreds of charitable organizations around the country to promote the ongoing wellness and well-being of our kids and youth.

Because our people serve customers who are their families, their neighbours and their friends, we are deeply touched when difficulty strikes one of our communities, as it did when wildfires hit the northern Alberta city of Fort McMurray in May 2016. While the operational challenges were daunting, particularly in the frightening early days of the crisis, we were grateful for the safety of all our staff and their families in the area. We are also proud that our network remained operative for the first responders and initial re-entrants into the community and that Shaw Go WiFi was available for free for all Northern Alberta residents to access during and for several months following the crisis. As this city rebuilds and recovers, Shaw is proud to stand with the community, our customers and our families.

Our industry is changing quickly. We are driven to ensure that our customers and our communities can embrace and accelerate change in this always-on, always-connected environment, whether by growing a small business or staying in touch with friends and family.

Across the country, thousands of Shaw employees deliver exceptional experiences to our customers, and we thank them for their dedication and contributions to our company's ongoing success. We would also like to recognize our exceptional management team for its unwavering commitment to putting our customers at the centre of every decision. Finally, we would like to thank the members of our Board of Directors for their continued insight, guidance, and counsel to help navigate the opportunities in front of us.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

November 28, 2016

FORWARD

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. and, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. Such statements include, but are not limited to:

- statements about future capital expenditures;
- asset acquisitions and dispositions;
- cost efficiencies;
- financial guidance for future performance;
- business strategies and measures to implement strategies;
- statements about Company's equity investments, joint ventures and partnership arrangements;
- competitive strengths; and
- expansion and growth of Shaw's business and operations and other goals and plans.

They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this Management's Discussion and Analysis are reasonable and that the expectations reflected in the forward looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many which are confidential, include but are not limited to:

- general economic conditions;
- interest;
- income tax and exchange rates;
- technology deployment;
- content and equipment costs;
- industry structure;
- conditions and stability;
- government regulation; and
- the integration of recent acquisitions.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- general economic, market and business conditions;
- changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies;
- industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- the Company's ability to execute its strategic plans and capital projects;
- the Company's ability to achieve cost efficiencies;
- technology, cyber security and reputational risks;
- opportunities that may be presented to and pursued by the Company;

- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this report under the heading "Known events, trends, risks and uncertainties".

The foregoing is not an exhaustive list of all possible factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

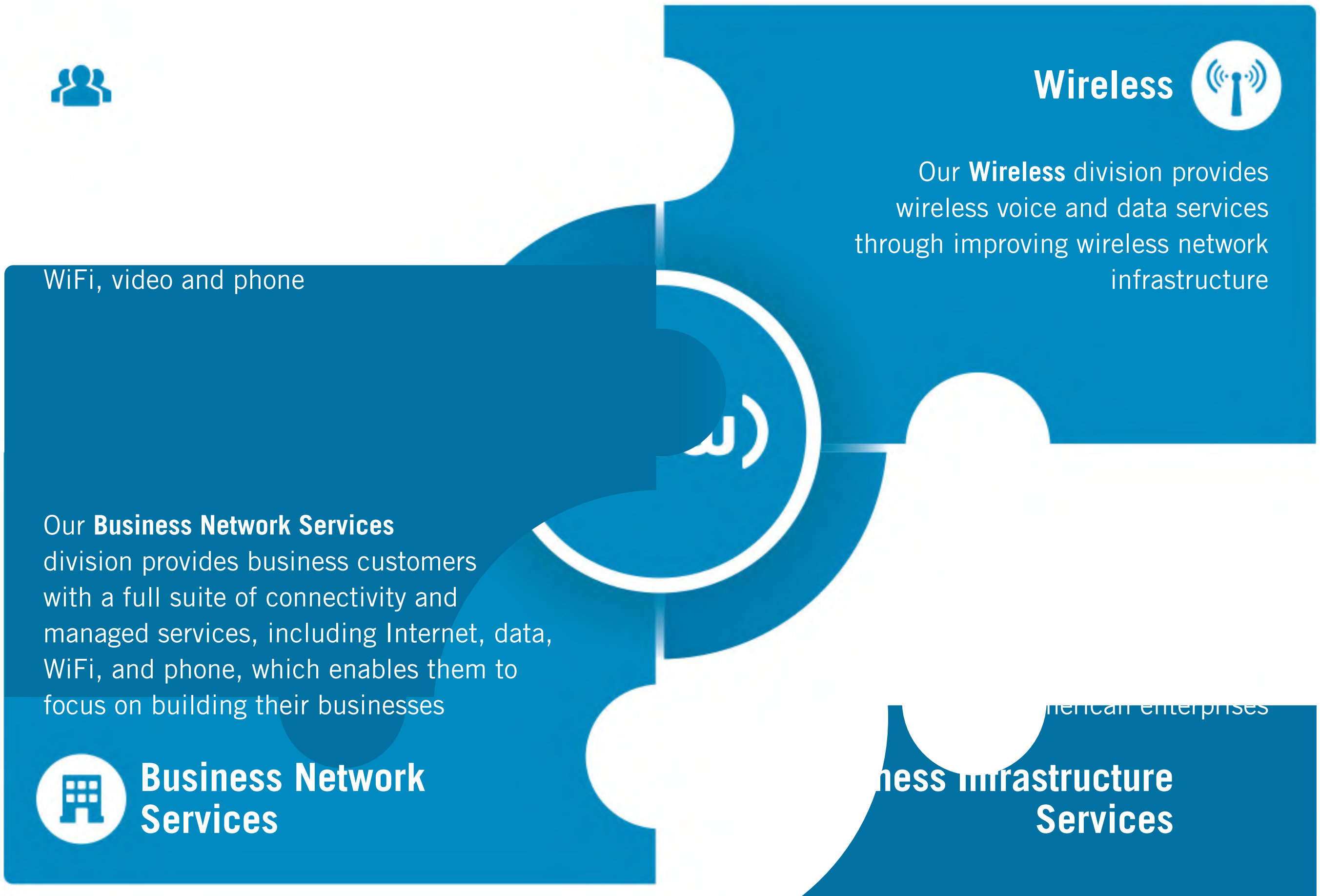
The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, Shaw expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward looking statements contained in this Management's Discussion and Analysis are expressly qualified by this statement.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

ABOUT OUR BUSINESS

At Shaw, we are focused to deliver long-term growth and connect customers to the world through a best in class seamless connectivity experience.



In the following sections we provide select financial highlights and additional details with respect to our strategy, our four divisions, our network and our presence in the communities in which we operate.

Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Select Financial and Operational Highlights

Through an evolving operating and competitive landscape our consolidated business has delivered stable and profitable results in 2016.

	Year ended August 31,				
				Change	
(millions of Canadian dollars except per share amounts)	2016	2015	2014	2016 %	2015 %
Operations:					
Revenue	**4,884**	4,486	4,219	8.9	6.3
Operating income before restructuring costs and amortization(1)	**2,114**	2,037	1,909	3.8	6.7
Operating margin(1)	**43.3%**	45.4%	45.3%	(2.1pts)	0.1pts
Net income from continuing operations	**456**	666	606	(31.5)	9.9
Income from discontinued operations, net of tax(2)	**784**	214	281	>100.0	(23.8)
Net income	**1,240**	880	887	40.9	(0.8)
Per share data:					
Basic earnings per share					
Continuing operations	**0.92**	1.40	1.30		
Discontinued operations	**1.59**	0.40	0.54		
	2.51	1.80	1.84		
Diluted earnings per share					
Continuing operations	**0.92**	1.39	1.30		
Discontinued operations	**1.59**	0.40	0.54		
	2.51	1.79	1.84		
Weighted average participating shares outstanding during period (millions)	**480**	468	457		
Funds flow from continuing operations(3)	**1,483**	1,398	1,302	6.1	7.4
Free cash flow(1)	**482**	653	698	(26.2)	(6.4)

(1) Refer to Key performance drivers.

(2) As of the date the Media division met the criteria to be classified as held for sale and for the period up to the transaction closing date of April 1, 2016, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year, before tax, amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other, respectively.

(3) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Subscriber highlights	August 31, 2016	August 31, 2015	Change
Consumer			
Video – Cable	**1,671,059**	1,764,523	**(93,464)**
Video – Satellite	**790,574**	811,988	**(21,414)**
Internet[(1)]	**1,787,642**	1,772,293	**15,349**
Phone	**956,763**	1,027,266	**(70,503)**
	5,206,038	5,376,070	**(170,032)**
Business Network Services			
Video – Cable	**61,153**	77,709	**(16,556)**
Video – Satellite	**30,994**	31,435	**(441)**
Internet[(1)]	**179,867**	180,248	**(381)**
Phone	**301,328**	284,785	**16,543**
	573,342	574,177	**(835)**
Wireless[(2)]			
Postpaid	**667,028**	–	**667,028**
Prepaid	**376,260**	–	**376,260**
	1,043,288	–	**1,043,288**
	6,822,668	5,950,247	**872,421**

(1) Internet subscribers at August 31, 2015 have been restated to reclassify 2,081 customers from Consumer to Business Network Services.

(2) Wireless subscribers (or Revenue Generating Units ("RGUs") – Recurring RGUs (e.g. cellular phone, smartphone, tablet or mobile Internet device) that has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. See Key Performance Drivers.

Our Strategy

At Shaw, we are focused to deliver long-term growth and connect customers to the world through a best in class seamless connectivity experience.

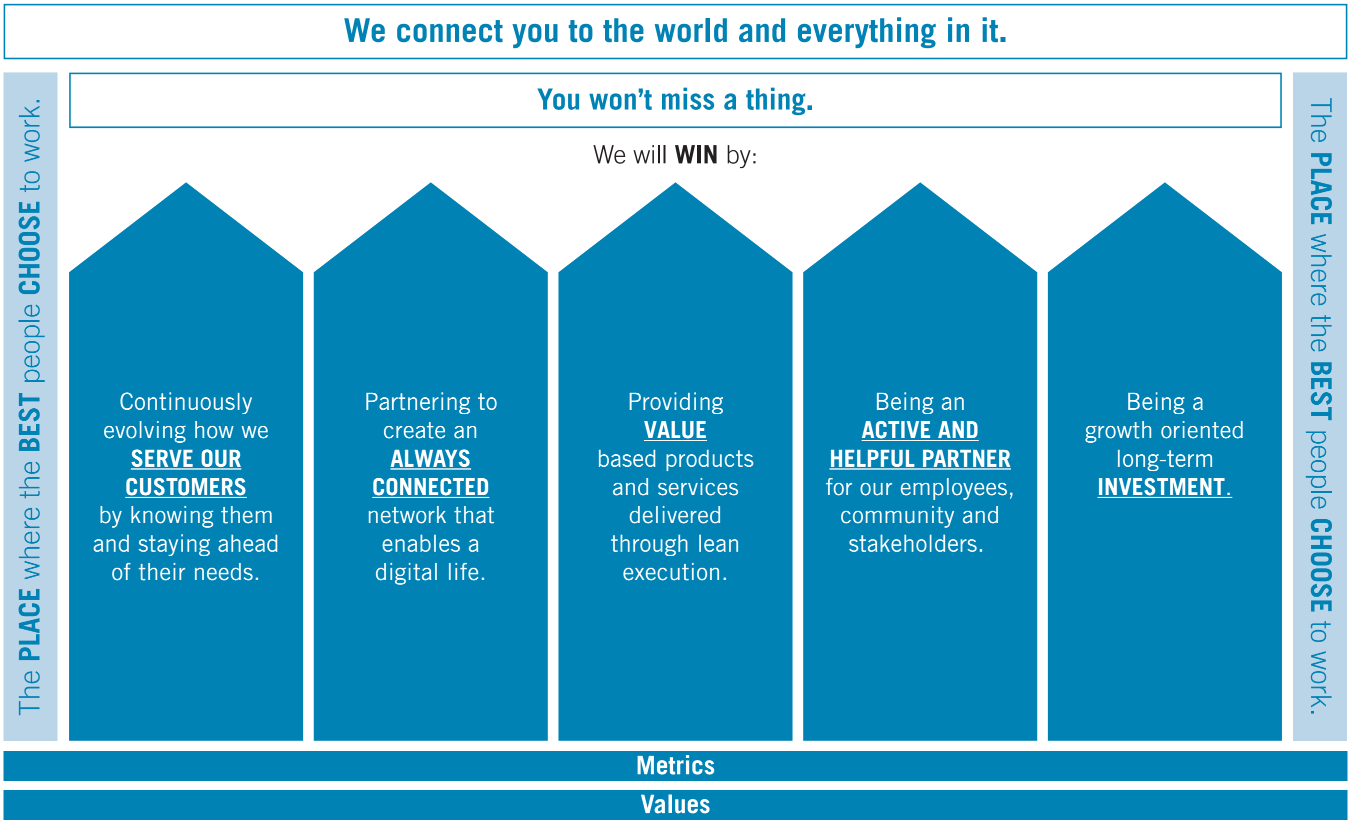
In 2016, Shaw positioned itself as a leading enhanced connectivity provider through two transformational transactions: the acquisition of WIND Mobile and the divestiture of Shaw Media. The addition of wireless enables Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within our operating footprint.

We will continue our sharp focus on operational efficiency to ensure we execute on our strategic priorities and build on delivering an exceptional customer experience that is centered on our world-class converged network and strategic partnerships with best in-class providers.

Culture and People

As Shaw repositioned itself as a leading enhanced connectivity provider, we also embarked on evolving our culture to enable us to deliver on this corporate and operational strategy. Building off the success of its *Focus To Deliver* program launched in 2014, Shaw continues to maintain its efficiency and growth potential by ensuring business decisions are made in accordance with disciplined customer-centric criteria.

Shaw believes its success and strength stems from its people and its commitment to making Shaw the place where the best people choose to work. Shaw continues to modernize and enhance the model below to ensure its leaders and employees are highly engaged to deliver on our customer promises.



Through various data points, including Shaw's annual employee engagement survey, Shaw identified the following four areas of focus to help achieve its culture and people objectives:

1) **Leading Effectively** – instituting masterful leaders at every level of the Company who deliver extraordinary business results by bringing out the best from the people that report to them
2) **Enabling Work** – providing people tools, processes and technologies that are simple, efficient and easy, making it easier for leaders and employees to carry out their duties and responsibilities
3) **Enhancing the Employee Experience** – delivering an exceptional employee experience tailored to our diverse employee base which considers an employees' day to day activities and career aspirations
4) **Maximizing Performance** – implementing reward and recognition programs that drive a culture of accountability and rewards performance excellence for all employees (without encouraging employees to take extraordinary risks)

Inspiring and engaging its employees to align with its strategy is the cornerstone of Shaw's success. We are grateful to have approximately 14,000 employees committed to delivering an exceptionally seamless connectivity experience for our customers and the communities we serve.

Our World-Class Converged Network

As our customers spend more of their time in the digital environment, they increasingly need and expect an always-on, seamless connectivity experience. This requires multiple technological platforms that are combined effectively to provide seamless connectivity to the customer. By adding our Wireless division to complement our existing, leading hybrid fibre-coax and Wi-Fi networks, Shaw has the opportunity to continue to innovate in response to changing consumer needs and technological developments. The world of connectivity will change in the coming years as wireline broadband technologies develop, standards for 5G are set and wireless and wireline platforms converge. Following the acquisition of WIND Mobile in 2016, Shaw has initiated the work to integrate its wireline and wireless networks. In 2016, Shaw also invested in the newest generation of broadband equipment to enable future access technologies that will enhance our hybrid fibre-coax network. In addition, by the end of fiscal 2017, we expect to complete the LTE-Advanced upgrade to our mobile wireless network. These and other initiatives in 2016 position us to take advantage of the opportunities to innovate that will be available through our converged network.

Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must join global scale initiatives. This ensures that the technology we adopt and invest in is, and continues to be, leading-edge in the communications industry globally.

This approach allows us to leverage our current assets where we have strength and expertise, while also ensuring our capital investments are aligned with industry leaders to support the development, maintenance and advancement of new technology where it is impractical for us to do so on a standalone basis. This ensures that there is sufficient capital, resources and commitment to continue advances in innovation, performance and reliability of our services and products. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in purchasing opportunities on a global scale.

We have solidified a series of significant relationships this year with global leaders on the following initiatives:

- our planned rollout of the TV Everywhere X1 video platform developed by Comcast (see discussion under "Consumer")
- our ongoing work with NOKIA, a global leader in mobile wireless technology and solutions, to design, plan and deploy LTE-Advanced, the world's most advanced wireless technology (see discussion under "Wireless")
- our "Smart" suite of business services that includes SmartWiFi in collaboration with Cisco's Meraki and SmartVoice with Broadsoft (see discussion under "Business Network Services").

Consumer

	2016		2015	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	3,752	76%(1)	3,752	83%(1)
Operating income before restructuring costs and amortization(2)	1,667	78%	1,686	82%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Our brand promise to our customers is that, with Shaw, "they won't miss a thing". Our Consumer division provides residential customers with leading connectivity experiences on two platforms.

- Wireline Services – we provide broadband Internet, Shaw Go WiFi, video and phone to customers that are connected to our local and regional hybrid fibre-coax network
- Satellite Services – we provide video by satellite to customers across Canada

Wireline Internet, Video and Phone Services

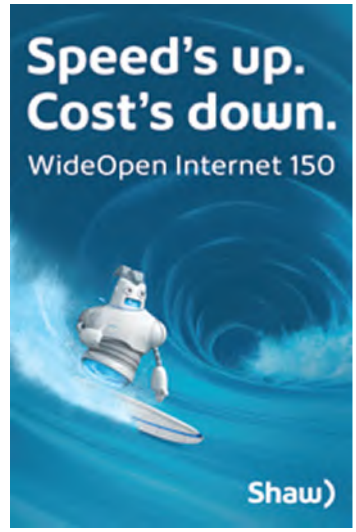
As one of the largest providers of residential communications in Canada, our Consumer division connects families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario on our hybrid fibre – coax network with broadband Internet, Shaw Go WiFi, video and home phone services to meet their needs at home and on the go.

As our customer needs evolve, we continue to focus on innovative service offerings. Our customer-centric strategy is designed to deliver high-quality customer service, simplicity, value and choice for our customers.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Internet

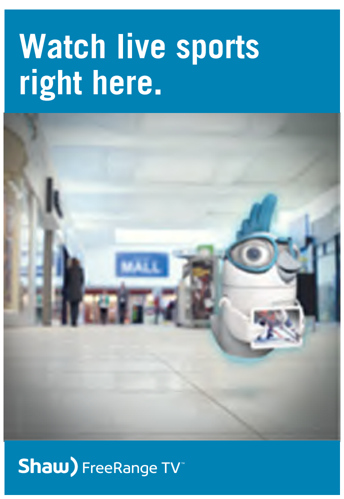
As an enhanced connectivity company, we believe that the Internet plays a fundamental role in connecting our customers to the world and everything in it. We recognize the importance of providing reliable, affordable and worry-free connectivity to meet the ever increasing appetite of our customers for discovery, social connectivity and streaming.



We continue to make the necessary investments to ensure that our advanced hybrid fibre – coax network keeps pace with the current and future expectations of our customers. These investments made it possible for Shaw to launch WideOpen Internet 150 in July, 2016 and provide customers with the speed and data capacity they need. Shaw offers 150 Mbps download speeds to over 90% of our footprint. WideOpen Internet 150 is offered at an affordable price and when paired with our improved two-year ValuePlans, it provides cost certainty for our customers which we expect will improve customer retention.

We also improved our carrier-grade Shaw Go WiFi service in the first half of fiscal 2016 by making it six times faster for our mid-tier and top-tier Internet customers. These upgrades support the continuing growth in the number of devices connecting to our network. Over 2.5 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are approximately 85,000 access points representing an increase of approximately 12,500 in fiscal 2016 covering locations from British Columbia to Ontario.

Video



Our wireline video services continue to offer a wide selection of television channels (including over 120 high definition ("HD") channels) and over 10,000 on-demand, pay-per-view and subscription movie, and television programming titles.

Our wireline video customers can choose from a selection of primary packages and can add additional channels from a variety of sports, family and other theme specialty packages as well as a number of individual channels offered on a channel-by-channel basis. In March 2016, we expanded customer choice with the introduction of a new small basic service called "Limited TV" and we also revised our offering to include small, medium and large theme packs starting at $6 per theme pack. By December 2016, our customers will have the ability to subscribe for a primary package (including Limited TV), any theme packs they choose, and add-on individual channels on a channel-by-channel basis which they can select from all of our channels.

Our wireline video customers can access our television offerings through an interactive, on-screen program guide which includes access to on-demand movies and television programming and pay-per-view content, including scheduled sporting, concerts and other special events. With an enabled video terminal, wireline video customers can record and store programs for later viewing and pause and rewind live and recorded programs.

In June 2015, Shaw announced that it has partnered with Comcast Corporation ("Comcast"), and Cisco Systems Inc. ("Cisco") as integrator, to make its market-leading cloud-based X1 video platform available to Shaw's wireline video customers. The X1 platform offers a seamless viewing experience across multiple screens and devices both in and out of the home. As a result of this collaboration, Shaw will be the first in Canada to capitalize on this cloud technology. Shaw is progressing on its plan to roll out this new technology through fiscal 2017.

In October 2015, Shaw began the deployment of the whole home video terminal used by Comcast in place of its current gateway and HD PVR terminals. This Comcast terminal operates on our current video platform and is compatible with the rollout of the X1 in-home experience for Shaw's wireline video customers. In March 2016, we re-launched our customer contract offer with two-year ValuePlans that included rental video equipment hardware at the core of the offer. The ValuePlans were re-launched with two primary goals in mind: (i) a reduction in customer churn/turnover, and (ii) to provide more value to our contracted customers in exchange for their commitment.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

As part of the X1 experience, in January 2016, we launched the X1 mobile application ("app") called "FreeRange TV" for our wireline video and satellite customers. This app makes available, over the Internet and on mobile devices, a selection of linear channels and up to 30,000 on-demand video titles based on the customer's home video subscription. FreeRange TV enables our customers to travel with the video experience that they currently enjoy in the home.

Phone

Shaw's phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and video services.

Satellite Services

Through Shaw Direct, our Consumer division connects families across Canada with video and audio programming by satellite. Shaw Direct customers have access to over 550 digital video channels (including over 220 HD channels) and over 10,000 on-demand, pay-per-view and subscription movie and television programming titles.

Similar to our wireline video service, satellite customers can now choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis. In March 2016, we expanded satellite customer choice with the introduction of a new small basic service called "Limited TV" and we also revised our offering to include small, medium and large theme packs starting at $6 per theme pack. By December 2016, our satellite consumers will have the ability to subscribe for a primary package (including Limited TV), any theme packs they choose, and add-on individual channels on a channel-by-channel basis which they can select from all of our channels.

Shaw Direct is one of two satellite video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite video is stronger in areas having no or limited (generally fewer than 80 channels) cable television coverage. The service is marketed through Shaw Direct and a nation-wide distribution network of third party retailers.

Shaw is committed to leading technology with access to three satellites that enable us to enhance our offerings, improve service quality and provide in-orbit back-up capacity. In March 2016, Shaw announced a plan to move all video services from MPEG-2 to MPEG-4 in three phases starting in April 2017 which will improve the efficiency of Shaw's transponders. Shaw's objective is to be 100% MPEG-4 by the fall of 2019.

A listing of Shaw's satellite capacity is provided below.

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2	16Ku-band	Owned
	6 Ku-band	Leased
	2 Ku-band (partial)	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased
Intelsat Galaxy 16	1 Ku-band (partial)	Leased

Seasonality

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's wireline and satellite Consumer businesses do not depend on any single customer or concentration of customers.

Shomi

Shomi, the over-the-top streaming platform that launched as a joint venture of Shaw and Rogers Communications in fiscal 2015 will be wound down with service ending November 30, 2016. As a result, Shaw expects to incur additional investment losses of up to $120 million in the first quarter of fiscal 2017 relating to a provision for future liabilities in Shomi. See Note 7 of the financial statements attached to this Management's Discussion and Analysis for reconciliation of the equity loss in the Shomi joint venture in fiscal 2016 and 2015.

Wireless

(millions of Canadian dollars)	2016 $	2016 share of consolidated
Revenue(3)	**280**	**6%(1)**
Operating income before restructuring costs and amortization(2)(3)	**59**	**3%**

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.
(3) Effective March 1, 2016, Shaw acquired Mid-Bowline Group Corp. and its wholly owned subsidiary, WIND Mobile Corp. Revenue and Operating income before restricting costs and amortization is for the period from March 1, 2016 to August 31, 2016.

Our Wireless division was formed following the acquisition of WIND Mobile in March 2016. This acquisition transformed Shaw into an enhanced connectivity provider, adding the critical wireless component of our converged network. Our Wireless division currently operates in Ontario, Alberta and British Columbia, offering the leading alternative for mobile services to the three national wireless incumbent carriers.

Approximately 15 million Canadians reside within our current mobile wireless network service area. Our Wireless division's customer base is growing, with over one million customers presently served, including over 125,000 customers added in fiscal 2016. In the second half of fiscal 2016, Shaw completed the first critical step in our wireless network upgrade. All 3G equipment in western Canada was replaced with Nokia equipment which enables us to increase speeds and throughput as well as put to use an additional 10MHz of AWS-1 spectrum to significantly enhance performance. Shaw's path towards an LTE Advanced network is currently underway and we expect to have this completed by the end of fiscal 2017.

Current Wireless Service and Launch of Freedom Mobile

On November 21, 2016, Shaw announced that WIND Mobile would be renamed Freedom Mobile as the next step in enhancing the effectiveness of our Wireless division in serving the needs of our customers. The launch of Freedom Mobile provides a fresh start and an opportunity to sharpen our focus on providing a customer-centric alternative to the value-conscious segment of the wireless market. This milestone allows our Wireless division to build on our current strengths, providing full control over our future branding strategy and redirecting resources from royalty payments for use of the WIND brand name to other marketing or brand building initiatives. Freedom Mobile is committed to delivering significant value to customers with its easy to understand pricing plans and no term contracts.

Our Wireless division is undertaking several initiatives to enhance its competitiveness in the market by:

- improving the retail and customer care experiences,
- expanding its handset lineup with more high-end devices, and
- improving its network performance with the deployment of LTE-Advanced.

LTE Advanced

We have partnered with NOKIA in the initiative to launch a world class, next generation mobile wireless network to our customers in Ontario, Alberta and British Columbia. LTE-Advanced is the latest standard of cellular technologies available in the marketplace today. Completing this initiative will allow us to provide a mobile connectivity experience that significantly improves on today's offering, including faster speeds and more reliable network performance.

Business Network Services

	2016		2015	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	548	11%(1)	520	12%(1)
Operating income before restructuring costs and amortization(2)	265	13%	256	13%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Our Business Network Services division serves business and public sector customers – whether connected by our wireline or satellite networks which allow us to better focus on the needs of our business customers.

Shaw Business connects customers of all sizes to our wireline-network or by satellite with a range of communications services – from home offices and regional businesses to large scale enterprises. While we provide business grade network access to smaller clients on our local and regional hybrid fibre-coax network, our larger enterprise customers are generally connected by fibre to the premise. Through the acquisition of ENMAX Envision Inc. in 2013, Shaw significantly increased its fibre footprint and profile among larger enterprise customers in Calgary, Alberta.

The range of services offered by Shaw Business includes:

- Fibre Internet – scalable, symmetrical fibre Internet solutions from 10 Mbps to more than 10 Gbps
- Data Connectivity – secure private connectivity for multiple locations
- Voice Solutions – from services that connect customer premise equipment to the phone network and single voice line solutions to robust fully managed hosted unified communications functionality
- Video – video and audio service offering content for public viewing
- Broadcast Video – high-quality video across North America in real time

Shaw has positioned itself as a trusted business advisor with a focus on the small and medium enterprise segment of the market. Shaw Business takes care of all aspects of its customers' increasingly complex communications so they can focus on growing their business. As part of this strategy, Shaw has collaborated with global scale technology leaders to offer its "Smart" suite of easy to use and flexible managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions that are increasingly valued by small and medium sized businesses as the digital economy grows in scope and complexity. The Smart suite of services includes:

SmartVoice – a unified communications solution that integrates instant messaging, presence, email, video conferencing and a mobile application that is built on Broadsoft's BroadWorks platform

SmartWiFi – a fully-managed Internet solution that enables seamless, secure wireless connectivity for employees and guests in the office and on the go that is deployed over Cisco's Meraki platform

SmartSecurity – a fully-managed network security platform deployed over Cisco's Meraki platform that protects a wired and Wi-Fi network at the edge with access control, the ability to control which applications run on the network, content filtering and connecting branch locations

In order to continue to meet the evolving needs of our customers, we are executing our plan to ensure that our wireline network keeps pace with the expectations for bandwidth, speed and reliability that our Shaw Business customers expect today and will expect in the future. See "Shaw's Wireline Network" for a description of our wireline network and the advances that we are undertaking.

Shaw Business is also leading the rollout to customers in western Canada of hybrid IT services with the opening in 2015 of the Calgary1 data centre. These services are a natural complement to Shaw Business' current offerings and leverage ViaWest's 17 years of experience as a hybrid IT solutions provider. See discussion under "Business Infrastructure Services."

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers ("ISPs"), other communications companies, broadcasters, governments and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European and Asian networks and other tier-one backbone carriers.

Broadcast Services

Shaw Broadcast Services uses our substantial fibre backbone network to manage one of North America's largest full-service commercial signal distribution networks, delivering more television and radio signals by satellite to cable operators and other multi-channel system operators in Canada and the U.S. than any other single-source satellite supplier. This business is referred to as a "satellite relay distribution undertaking" or "SRDU". Shaw Broadcast Services currently provides SRDU and advanced signal transport services to over 300 distribution undertakings and redistributes over 500 television signals and over 100 audio signals in both English and French to multi-channel system operators.

Tracking

Shaw Tracking provides asset tracking and communication services primarily in Canada to over 600 customers in the transportation industry that have an aggregate of approximately 49,000 vehicles. By satellite, cellular, Wi-Fi and Bluetooth, Shaw Tracking provides immediate real-time visibility to a customer's fleet and freight, including location, performance, and productivity.

Business Infrastructure Services

(millions of Canadian dollars)	2016 $	2016 share of consolidated	2015 $	2015 share of consolidated
Revenue	**334**	**7%**(1)	246	5%(1)
Operating income before restructuring costs and amortization(2)	**123**	**6%**	95	5%

(1) Before intersegment eliminations.
(2) Refer to Key performance drivers.

Our Business Infrastructure Services division was formed with the acquisition of Denver, Colorado based ViaWest in September 2014. We acquired ViaWest as a growth platform in the attractive North American data centre sector and to support the expansion of our business offerings in western Canada.

ViaWest is a leading hybrid IT solutions provider, offering colocation, cloud and managed services, and security and compliance assessment and mitigation capabilities. It enables businesses to leverage both their existing IT infrastructure and emerging cloud resources to deliver the right balance of cost, scalability and security.

ViaWest has grown from five data centres in two markets in 2004 to 30 data centres with over 1,000,000 square feet of usable raised floor space, of which, over 700,000 is currently ready for use throughout the U.S., including locations in Denver, Dallas, Austin, Salt Lake City, Las Vegas, Minneapolis, Phoenix, Portland, greater Philadelphia and our recently opened facility in the Dallas suburb of Plano, Texas. ViaWest has the capacity to support further U.S. growth with 71% utilization of its ready for use capacity (approximately 500,000 square feet) in its current facilities and additional expansion capacity at its Denver, Las Vegas, Minneapolis, Portland and Plano properties.

In late 2015, we expanded operations into Canada with the opening of the new Calgary1 data centre and cloud platform under our Canadian brand "Shaw Data Centre and Cloud Solutions, Powered by ViaWest". Shaw Data Centre and Cloud Solutions offers a comprehensive product set of hybrid IT solutions to enterprises of all sizes throughout Canada supported by ViaWest's leading expertise and 17-year track record.

Business Infrastructure Services continues to execute on its growth plans with the acquisitions of AppliedTrust in fiscal 2015 and INetU in fiscal 2016. Through the acquisition of AppliedTrust, we offer leading security, compliance, development operations and infrastructure consulting services that address the pressing security and compliance needs of our customers. INetU increases our cloud and managed services capabilities and expands our geographic reach to eastern U.S. and Europe.

Over 2,000 businesses trust their infrastructure and mission critical data to our Business Infrastructure Services team because of the dedicated personnel who provide local, personalized, flexible and tailored solutions to meet the unique business needs of our customers. With our team-based account management approach and 100% uptime commitment, we offer tailored solutions designed for maximum reliability and flexibility.

Shaw's Wireline Network

At Shaw, we are proud of our advanced wireline network, which combines the power of fibre, coax, and Wi-Fi and is comprised of:

- North American fibre backbone
- regional fibre optic and co-axial distribution networks
- local Shaw Go WiFi connectivity

Wireline Backbone

The backbone of Shaw's wireline-network includes multiple fibre capacity on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Winnipeg, Toronto, Buffalo, and Chicago). The northern route consists of approximately 4,000 route kilometres of fibre between Edmonton and Toronto (via Saskatoon, Winnipeg and Thunder Bay). These routes, along with a number of secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including Vancouver and Calgary, Vancouver and San Jose, Toronto and New York City, Seattle and Vancouver and Edmonton and Toronto.

Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and co-axial cable distribution networks.

In 2013, we substantially completed a major upgrade of our co-axial access network to remove analog tier television services. This upgrade liberated bandwidth to significantly increase the capacity of our hybrid fibre-coax network and enable the expansion of our broadband Internet and other offerings. Digital video terminals were deployed into customer homes that allowed them to receive digital television services in place of former analog services. We referred to this reclamation initiative as the Digital Network Upgrade ("DNU").

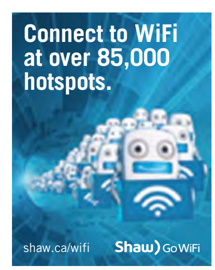
In 2014 and 2015, we removed the remaining analog basic services in the Vancouver area, our largest market, in an initiative referred to as "DNU II". As a result, customers in the Vancouver area now receive digital video services. In 2016, analog basic services were removed from the remaining large markets of Calgary, Edmonton, Winnipeg and Victoria as well as a number of midsized markets. We expect to remove analog video basic services from all other major, midsized and small markets by November 2016.

Shaw continues to optimize the capacity and efficiency of our wireline network and reduce congestion by deploying fibre optic cable deeper into our access networks and closer to our customers. We are also increasing the number of optical serving areas or "nodes" in the wireline network. This is a continual process that we apply year-over-year to increase fibre optic usage in our wireline network and reduce the distance signals travel over coaxial cable to each consumer.

In 2016, our newest generation of cable modem termination system equipment referred to as the "Converged Cable Access Platform" was deployed in our serving hubs. This equipment will enable future access technologies such as Data over Cable Interface Specification version 3.1 ("DOCSIS 3.1") to be deployed. DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibre-coax network to transmit data both to and from customer premises. Our ongoing investments in our network have, for example, enabled the launch of WideOpen Internet 150 in July 2016. With the various DNU initiatives, the deployment of fibre closer to our customers and by continuing to increase the number of nodes in our hybrid fibre-coax network, we expect to continue significantly improving the performance and capacity of our network.

Shaw Go WiFi

Shaw has created Canada's most extensive service provider Wi-Fi network, Shaw Go WiFi. Shaw Go WiFi extends a customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience.



We continue to expand our Shaw Go WiFi build-out. In fiscal 2016, Shaw installed 12,500 Shaw Go WiFi hotspots bringing the total number of hotspots to approximately 85,000 operating throughout its network and over 2.6 million unique active devices using Shaw Go WiFi. In addition, we have entered into agreements with 105 municipalities to extend Shaw Go WiFi service into public areas within those cities.

Wireless Network

With the acquisition of WIND Mobile in March 2016, Shaw has added the critical mobile component to its converged network.

Our Wireless division currently operates a wireless network in British Columbia, Alberta, and Ontario, focused on the major metropolitan markets in and around Vancouver, Edmonton, Calgary, Ottawa and Toronto.

The Division currently provides its services on a 3G HSPA+ network using AWS-1 spectrum. 3G is the third generation of mobile wireless standards and technology. HSPA or "High Speed Packet Access" is an IP-based packet data enhancement technology that provides high speed broadband packet data services over 3G networks.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

In 2016, we upgraded the existing 3G HSPA+ network to benefit our customers in Alberta and British Columbia. Our Wireless division is currently working with NOKIA to significantly improve its service offering by deploying an LTE-Advanced upgrade across its entire wireless network service area (see above under "Wireless").

Our Wireless division currently holds 50 MHz of AWS spectrum in the main service areas of Ontario, Alberta and British Columbia, and 10-50 MHz of AWS spectrum in certain other non-core markets. Our spectrum assets will support the planned upgrade to LTE-Advanced as well as anticipated subscriber growth on the existing 3G HSPA+ network (see below under "Regulation of Wireless").

Equity Interest in Corus

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. Its portfolio of multimedia offerings encompasses 45 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus' roster of premium brands includes Global Television, W Network, OWN: Oprah Winfrey Network Canada, HGTV Canada, Food Network Canada, HISTORY®, Showcase, National Geographic Channel, Q107, CKNW, Fresh Radio, Disney Channel Canada, YTV and Nickelodeon Canada. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of Shaw Media Inc. to Corus, the Company received 71,364,853 Corus Class B non-voting participating shares. The Company agreed to retain approximately one third of its interest in Corus for 12 months post-closing, a second one third for 18 months post-closing and the final one third for 24 months post-closing. The Company also agreed to have its Corus Class B Shares participate in Corus' dividend reinvestment plan while subject to these retention periods until September 1, 2017. As a result of the additional shares issued to the Company pursuant to its participation in Corus' dividend reinvestment plan, at August 31, 2016, the Company held 74,135,891 Corus Class B non-voting participating shares, representing approximately 38% of Corus' total issued equity of Class A and Class B shares. The Company's weighted average ownership of Corus for the period from April 1 to August 31, 2016 was 37%.

Although the Corus Class B shares do not have voting rights, the Company is considered to have significant influence due to Board representation. In addition, Shaw Family Living Trust ("SFLT") controls both Shaw and Corus. SFLT is controlled by its sole trustee, SFLTCO Ltd., a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (Chair), Carol Shaw and four other members of JR Shaw's family. See "Related Party Transaction – Corus".

Community Investment

Shaw has been investing in the communities that it serves for over 40 years. Shaw believes that being a community oriented company is about much more than philanthropic gifts – it is about bringing together and using its suite of assets to help shine a spotlight on the work Shaw's community partners are doing to help make a difference.

Supporting charitable organizations that focus on children and youth has been a pillar of Shaw's community initiatives for decades, and as its business grows, Shaw continues to leverage the Shaw Kids Investment Program, or SKIP, to raise awareness and support for organizations striving to make Canada a better place for kids.

In 2016, Shaw contributed over $60 million in cash and in-kind support to over 1,000 local and national charitable organizations that work to improve the lives of children and youth across Canada.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Shaw's partnerships with local and national charities are also used to complement local and regional marketing and sponsorship activities. Combining community investments with traditional business activities speaks to our overall values of being a caring and customer centric organization. The most prominent example of this combination is Shaw's partnership with local Calgary business leaders and the PGA TOUR in staging the Shaw Charity Classic, a premier tournament on the Champions Tour that benefit 124 youth-based Alberta charities and has generated more than $13 million in charitable contributions in its four-year history. The event has become a fixture on the Calgary tourism calendar, and has been recognized as one of the top tournaments on the Champions Tour. Importantly, the event also strengthens Shaw's business and community relationships

Shaw has launched a year-long project to celebrate Canada's 150th birthday. As part of this initiative, Shaw will grant 150 birthday wishes for Canada by providing funding to celebrate the people and organizations making a difference for children and youth across the country. Another major initiative that Shaw is proud to support is Pink Shirt Day, a national campaign geared to raise awareness of bullying prevention. In February 2016, Shaw's Pink Shirt Promise campaign engaged nearly 100,000 Canadians in a dialogue to prevent and combat bullying.

Government regulations and regulatory developments

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various legislation (*Broadcasting Act* (Canada) ("Broadcasting Act"), *Telecommunications Act* (Canada) ("Telecommunications Act"), *Radiocommunication Act* (Canada) ("Radiocommunication Act") and *Copyright Act* (Canada) ("Copyright Act")). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and Department of Innovation, Science and Economic Development ("ISED"), respectively.

Pursuant to the Broadcasting Act, the CRTC is mandated to supervise and regulate all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires BDUs to give priority to the carriage of Canadian services, to contribute a certain percentage of revenue to the production of Canadian programming and to provide efficient delivery of programming services. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. Shaw's broadcasting distribution businesses depend on licenses (or operate pursuant to an exemption order) granted and issued by the CRTC.

The Minister of Canadian Heritage is currently overseeing, a process aimed at strengthening Canadian content creation, discoverability and export in the changing digital era. This process could lead to changes in the manner in which Canadian content is supported, including by way of amendments to the Broadcasting Act and other legislation related to broadcasting. This process is currently in the consultation phase. The Minister is expected to issue a report on the consultations by the end of January 2017. As of November 28, 2016, no proposals for particular changes have, to date, been made by the Minister.

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable telecommunication services of high-quality. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Shaw's retail Internet and home phone services have been forborne from regulation and are not subject to price regulation. However, regulations do affect certain terms and conditions under which Shaw's retail services are provided. As described further below under "Third Party Internet Access", certain Shaw wholesale services are regulated.

The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act and the regulations and rules promulgated thereunder. The technical operating aspects of the Company's businesses are regulated by technical requirements and performance standards established by ISED, primarily under the Telecommunications Act and the Radiocommunication Act.

Pursuant to the Copyright Act, the Copyright Board of Canada ("the Copyright Board") oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services. The Copyright Board may also make rulings on the interpretation of the Copyright Act in the course of issuing copyright tariff decisions.

The sections below provide a more detailed discussion of various regulatory matters and recent developments specific to Shaw's businesses.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Licensing and ownership

For each of its cable, direct-to-home satellite ("DTH") and SRDU undertakings, the Company holds a separate broadcasting license or is exempt from licensing under the Broadcasting Act. In August 2016, Shaw submitted an application to renew its licenses for all licensed cable undertakings. In May 2016, the CRTC administratively renewed these licenses until November 30, 2016 and stated its intention to subsequently renew the licenses from December 1, 2016 to August 31, 2017. As part of this renewal process, the CRTC conducted an oral hearing in September 2016 to review the practices of BDUs, including Shaw, with regard to the small basic service and flexible packaging requirements to ensure that licensees are offering the services in a manner that is consistent with the requirements set out in the regulations and with the spirit of the Let's Talk TV policy framework.

The Company also holds separate licenses for each of Shaw on Demand (Video on Demand) and Shaw Pay-Per-View. The renewal of Shaw on Demand licences are currently under consideration as part of the CRTC proceeding to renew television licences held by large ownership groups.

The potential for new or increased fees through regulation

CRTC Regulations require licensed cable BDUs to obtain the consent of an OTA broadcaster to deliver its signal in a distant market. The Regulations provide that DTH undertakings may distribute a local over-the-air television signal without consent within the province of origin, but must obtain permission to deliver the over-the-air television signal beyond the province of origin unless the DTH distribution undertaking is required to carry the signal on its basic service. Broadcasters may assert a right to limit distribution of distant signals or to seek remuneration for the distribution of their signals in distant markets on the basis of these Regulations.

The Copyright Board is considering a tariff for the retransmission of programming in distant television regions for the years 2014 through 2018. The tariff proposed by the retransmission rights collectives would, if approved, represent a significant increase in the per subscriber rates payable for the retransmission of programming in distant signals. The Company has participated in the hearing process and objected to the tariff on behalf of its cable and DTH satellite divisions. The record of this proceeding is now complete and the parties are awaiting the decision of the Copyright Board.

Let's Talk TV regulatory framework

In October 2013, the CRTC initiated a "conversation with Canadians about the future of television", commonly referred to as "Let's Talk TV", which led to a major review of the regulatory and policy framework for the Canadian television broadcasting system and a series of policy decisions in 2015 including the following:

- The new policy framework required licensed BDUs to offer a $25 entry-level service offering (basic service) by March 2016. As of March 2016, all discretionary services (not offered on the basic service) must be offered either on a standalone basis or in packages of up to ten programming services. By December 1, 2016, these services must be offered both on a standalone basis and in packages of up to ten programming services. These changes will significantly affect BDUs' customer management systems and may create market uncertainty for both BDUs and programming services.
- Additional uncertainty may result from changes to the linkage rules for related and independent discretionary services.
- The CRTC has also proposed new regulations governing simultaneous substitution, which may result in rebates for BDU errors or loss of privileges for broadcaster errors.
- The CRTC has also introduced new codes governing the relationship between BDUs and their customers, the "Television Service Provider Code of Conduct", and the relationship between BDUs and programmers, the "Wholesale Code". The CRTC has, as well, prohibited 30-day cancellation policies for voice, Internet and broadcasting distribution services.
- A new policy framework for local and community television introduced changes to funding regimes and requirements governing community channels and local television stations.

Access for Wireline Network

For its wireline network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the Telecommunications Act, Shaw may do so with the consent of the municipality or other public authority having jurisdiction.

New Media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point to point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage.

The CRTC has decided to not impose a levy on the revenue of exempt digital media undertakings to support Canadian new media content and instead issued an exemption order for Video on Demand services offered both by licensed BDUs and direct to consumer over the Internet.

Third Party Internet Access

Shaw is mandated by the CRTC to allow independent ISPs to provide Internet services at premises served by Shaw's wireline network ("Third Party Internet Access" or "TPIA"). In 2015, the CRTC completed a review of the wholesale wireline telecommunications policy framework, including TPIA, and extended mandated wholesale access services to include fibre-to-the-premise facilities and a shift to a new disaggregated wholesale Internet access service. The new disaggregated service will be phased in over the next three years and is intended to allow independent ISPs to reduce reliance on the transport facilities currently included as part of the regulated wholesale service.

In early 2016, the CRTC further directed Shaw and other carriers to file updated wholesale wireline costing studies as part of a review of wholesale Internet rates. These updates are required further to the CRTC making several changes to the wholesale Internet costing approach and the parameters used within the costing studies. In October of 2016, the CRTC approved interim rates, pending the completion of its review of these costing studies, which were lower than the proposed rates. At the completion of this review, the CRTC may require further adjustments to Shaw's costing studies, which may result in further reductions in Shaw's TPIA rates.

Within the coming year, the CRTC also plans to review the competitor quality of service indicators and the rate rebate plan for competitors to ensure alignment with the new wholesale services framework. As part of this review, the CRTC may extend quality of service obligations to providers of wholesale Internet services.

Regulation of Wireless Division

Our Wireless division holds licenses for the use of radiofrequency spectrum required to operate its mobile wireless business. Those licenses are administered by ISED under the Radiocommunication Act. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

The Wireless division's AWS-1 licenses were issued in 2009, for a term of ten years, and prior to expiration, the licenses may be renewed for an additional term of up to ten years. The AWS-3 licenses were issued in April 2015 and have a term of 20 years. The applicable terms and conditions of renewal of our and other carriers' spectrum licenses after the initial term will be determined by ISED through public consultation processes that will begin prior to the expiry of those licenses.

ISED has a framework that sets out criteria for reviewing and approving license transfers, prospective transfers, and deemed license transfers, including consideration of the quantum and concentration of license holdings before and after the proposed transfer.

Our Wireless division's operations could be materially affected by our failure to:

- obtain new or additional spectrum licenses;
- renew existing spectrum licenses;
- obtain approval of any transfer of spectrum licenses; or
- procure spectrum licenses that provide access to adequate allocations of low-band spectrum, which has superior propagation and penetration characteristics.

In addition, the Wireless division could experience increased costs, or reduced revenues or reduced margins, due to amended or newly-adopted laws and regulations, or decisions of ISED or the CRTC. The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act, and the regulations and rules promulgated thereunder.

The CRTC has the authority to regulate mobile wireless telecommunications services under the Telecommunications Act. The CRTC has decided to forbear from regulating most aspects of mobile wireless services, while maintaining oversight over customer confidential information and other general conditions for mobile wireless service, including mandating wireless number portability and issues pertaining to mobile 911. In 2013, the CRTC also implemented the Wireless Code, which, among other things:

- imposes limitations on early cancellation fees;
- prohibits contract terms longer than two years; and
- requires unlocking of wireless devices, trial periods for wireless contracts and caps on overage roaming charges.

In May 2015, the CRTC decided to regulate certain aspects of wholesale wireless services provided by the three national wireless incumbent carriers and issued a comprehensive policy framework for wholesale wireless services, including roaming, tower sharing and mobile virtual network operators (MVNOs). The new framework requires the three national wireless incumbent carriers to provide wholesale roaming services to non-incumbent wireless carriers at cost-based rates. A proceeding is presently underway to set these rates and the terms and conditions for wholesale domestic roaming services. This proceeding is expected to be complete in early to mid-2017 and may affect our roaming costs and the rates and services that we can offer customers.

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers owned and operated by third party tower providers and the three national wireless incumbent carriers. Pursuant to the conditions of their spectrum licenses and the CRTC's policy framework for wholesale wireless services, the three national wireless incumbent carriers must allow competitors, including WIND, to co-locate equipment on their towers. However, the process of negotiating the sharing of towers is uncertain and time consuming, and the ISED and CRTC processes that are available to force the incumbents to abide by the existing rules can also be challenging and time consuming.

CRTC Basic Services Proceeding

In June, 2016, the CRTC's review of basic telecommunications services in Canada came to a close. In this proceeding, the CRTC considered: (i) the services (e.g., telephone and broadband) required by all Canadians to fully participate in the digital economy, (ii) whether there should be changes to the subsidy regime and national contribution mechanism to fund expansion or adoption of broadband services in Canada, (iii) what measures should be taken to address the affordability of broadband services in Canada, and (iv) what the respective roles of the private sector, the CRTC and government should be in ensuring access to basic telecommunications services by Canadians. Currently, the national contribution fund overseen by the CRTC provides subsidies for local phone services in high cost serving areas and video relay service for Canadians that are hearing-impaired. Canadian telecommunications service providers, including Shaw, are required to contribute to this fund. While the outcome of this proceeding is uncertain, it could result in significant changes to Shaw's regulatory obligations as a telecommunications service provider. The CRTC's decision is pending.

Review of Differential Pricing Practices

In May, 2016, the CRTC initiated a review of differential pricing practices related to wireline and mobile wireless data plans. The CRTC will consider which differential pricing practices, if any, are contrary to the Telecommunications Act, as well as the benefits of and concerns about these practices more generally, with a view to establishing a clear and transparent regulatory policy.

Anti-Spam Legislation

Canada's anti-spam legislation (together with the related regulations "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million.

Limits on non-Canadian ownership and control

Non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. Neither the holding company nor the licensee may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. In order to comply with the director residency requirements of the *Direction to the CRTC (Ineligibility of Non-Canadians)* (the "Direction"), 80% of Shaw's board of directors need to be Canadian residents. Alternatively, with approval of the CRTC, the requirements of the Direction may be satisfied by the creation of an Independent Programming Committee (IPC) to oversee programming decisions. With CRTC approval, Shaw implemented an IPC to comply with the Direction.

The same restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act, the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector. This may lead to greater levels of competition in the Canadian telecommunications market.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per-item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before one-time items like restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

Relative increases period-over-period in operating income before restructuring costs and amortization and in operating margin are indicative of the Company's success in delivering valued products and services, and connecting customers to the world through a best in class seamless connectivity experience.

	Year ended August 31,	
(millions of Canadian dollars)	**2016**	**2015**
Operating income from continuing operations	**1,134**	1,134
Add back (deduct):		
Restructuring costs	**23**	39
Amortization:		
Deferred equipment revenue	**(67)**	(78)
Deferred equipment costs	**151**	164
Property, plant and equipment, intangibles and other	**873**	778
Operating income before restructuring costs and amortization	**2,114**	2,037

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

	Year ended August 31,		
	2016	**2015**	**Change**
Consumer	**44.4%**	44.9%	(0.5pts)
Business Network Services	**48.4%**	49.2%	(0.8pts)
Business Infrastructure Services	**36.8%**	38.6%	(1.8pts)
Wireless	**21.1%**	–	n/a

Free cash flow

Free cash flow is comprised of free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow from continuing operations is calculated as operating income before restructuring costs and amortization adding dividends from equity accounted associates, changes in receivable related balances with respect to customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the Company's Cumulative Redeemable Rate Reset Preferred Shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Free cash flow from continuing operations has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are reported on a combined basis for Consumer and Business Network Services due to the common infrastructure and separately reported for each the Business Infrastructure Services and Wireless divisions. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow from discontinued operations is comprised of income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items after deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions and adjusted to exclude amounts funded through the accelerated capital fund) and equipment costs (net), cash taxes paid or payable, program rights amortization on assets held for sale, cash amounts associated with funding CRTC benefit obligations related to media acquisitions, recurring cash funding of pension amounts net of pension expense and excludes non-controlling interest amounts that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

The Company uses free cash flow as a measure of the Company's ability to repay debt and pay dividends to shareholders. Consolidated free cash flow is calculated as follows:

	Year ended August 31,		
(millions of Canadian dollars)	**2016**	**2015**	**Change %**
Revenue			
Consumer	**3,752**	3,752	–
Business Network Services	**548**	520	5.4
Business Infrastructure Services	**334**	246	35.8
Wireless	**280**	–	n/a
	4,914	4,518	8.8
Intersegment eliminations	**(30)**	(32)	6.3
	4,884	4,486	8.9
Operating income before restructuring costs and amortization(1)			
Consumer	**1,667**	1,686	(1.1)
Business Network Services	**265**	256	3.5
Business Infrastructure Services	**123**	95	29.5
Wireless	**59**	–	n/a
	2,114	2,037	3.8
Capital expenditures and equipment costs (net):(2)			
Consumer and Business Network Services	**915**	954	(4.1)
Business Infrastructure Services	**155**	152	2.0
Wireless	**121**	–	n/a
	1,191	1,106	7.7
Accelerated capital fund investment(1)	**–**	(150)	100.0
	1,191	956	24.6
Free cash flow from continuing operations before the following	**923**	1,081	(14.6)
Less:			
Interest	**(299)**	(281)	(6.4)
Cash taxes	**(266)**	(304)	12.5
Other adjustments:			
Dividends from equity accounted associates	**34**	–	n/a
Non-cash share-based compensation	**3**	4	(0.3)
Pension adjustment	**(40)**	(47)	14.9
Customer equipment financing	**8**	13	(38.5)
Preferred share dividends	**(13)**	(13)	–
Free cash flow from continuing operations	**350**	453	(22.7)
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items	**229**	342	(33.0)
Less:			
Capital expenditures	**(5)**	(16)	68.8
Cash taxes	**(26)**	(71)	63.4
Program rights	**(33)**	–	n/a
CRTC benefit obligation funding	**(11)**	(31)	64.5
Non-controlling interests	**(20)**	(26)	23.1
Pension adjustment	**(2)**	2	–
Free cash flow from discontinued operations	**132**	200	(34.0)
Free cash flow	**482**	653	(26.2)

(1) Refer to Key performance drivers.

(2) See Note 24 to the audited Consolidated Financial Statements.

Accelerated capital fund

During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from several strategic transactions. The accelerated capital initiatives were funded through this fund and not cash generated from operations. Key investments included the internal and external Calgary data centres, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the Wi-Fi network, and additional innovative product offerings related to Shaw Go WiFi and other applications to provide an enhanced connectivity experience. Approximately $110 million was invested in fiscal 2013, $240 million was invested in fiscal 2014 and $150 million invested in fiscal 2015. The accelerated capital fund closed in fiscal 2015.

STATISTICAL MEASURES:

Subscriber counts (or Revenue Generating Units ("RGUs")), including penetration and bundled customers

The Company measures the count of its subscribers in its Consumer, Business Network Services and Wireless divisions.

In the Consumer and Business Network Services divisions, video cable subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as Video cable customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone lines includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Subscriber counts, or RGUs, and penetration statistics measure market share and also indicate the success of bundling and pricing strategies.

Consumer and Business Network Services divisions' RGUs represent the number of products sold to customers and includes Video (Cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2016 these combined divisions had approximately 5.8 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g. cellular phone, smartphone, tablet or mobile Internet device) has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2016 the Wireless divisions had approximately 1.0 million RGUs.

Wireless Average revenue per subscriber unit per month (ARPU)

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity, but does not have a standardized meaning under IFRS.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from cable, Internet, Digital Phone,

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

DTH and wireless customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses.

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DCT and DTH equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Tracking equipment revenue and costs

Shaw Tracking equipment revenue is recognized over the period of the related service contract for airtime, which is generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurs incremental direct costs including equipment costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

The Company offers a discretionary handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenue earned in connection with the services is applied against the up-front discount provided on the handset. The Wireless division also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time.

The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statement of financial position.

Discontinued operation subscriber revenue

In the former Media division, subscriber revenue was recognized monthly based on subscriber levels. Advertising revenues were recognized in the period in which the advertisements were aired or displayed on the Company's digital properties and recorded net of agency commissions as these amounts were paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds were allocated to individual advertising spots under the arrangement based on relative fair values.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. Corporate departments such as Technology and Network Operations ("TNO"): TNO is involved in overall planning and development of the cable/Internet/Digital Phone infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TNO devotes considerable efforts towards the development of systems to support Digital Phone, Wi-Fi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.

2. Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Digital Phone infrastructure: Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include new subdivision builds, increasing network capacity for Internet, Digital Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity, including the DNU project, and the Wi-Fi build.

3. Subscriber-related activities such as installation of new drops and Internet and Digital Phone services: The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, wireless spectrum licenses, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licenses, wireless spectrum licenses, trademarks and brands represent identifiable assets with indefinite useful lives.

Program rights represent licensed rights acquired to broadcast television programs on the former Media division's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent assets based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from three to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, Data centres and Wireless. The Company had an additional cash generating unit, Media, until the sale of the division in April 2016. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Employee benefit plans

As at August 31, 2016, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefit Obligation at End of Fiscal 2016	Pension Expense Fiscal 2016
Weighted Average Discount Rate – Non-registered Plans	3.50%	4.10%
Weighted Average Discount Rate – Registered Plans	3.86%	3.86%
Impact of: 1% decrease – Non-registered Plans	$ 96	$ 14
Impact of: 1% decrease – Registered Plans[1]	–	–

[1] The Company had a number of funded defined benefit pension plans which provided pension benefits to certain unionized and non-unionized employees in the media business. These plans were divested along with the sale of the Media division in April 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees, program rights and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, which is comprised of independent directors. The following sets forth certain related party transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During 2016, the Company's sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016. During the year, network, advertising and programming fees were paid to various Corus subsidiaries, as well as transitional services related to the operations sold to Corus. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. In addition, the Company provided Corus with television advertising spots in return for radio and television advertising prior to Corus' acquisition of Shaw Media.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). During fiscal 2016, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations.

Key management personnel and Board of Directors

Key management personnel, which consists of the most senior executive team and the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2015 had no impact on the Company's consolidated financial statements.

- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* outlined in *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* as issued by the IASB in September 2014. These amendments were to be applied prospectively to transactions occurring for annual periods commencing after a date to be determined by the IASB, however earlier application is permitted.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018, however earlier application is permitted.
- IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. It may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has been adopted.
- IAS 12 *Income Taxes* was amended in 2016 to clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is required to be applied for annual periods commencing January 1, 2017.
- IAS 7 *Statement of Cash Flows* was amended in 2016 to improve disclosures regarding changes in financing liabilities. It is required to be applied for annual period beginning on or after January 1, 2017.
- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.
- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services.* The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements".

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has reduced the traditional lines between telecommunications, Internet and distribution services and further expands the competitive landscape. Shaw may face competition in the future from other technologies being developed or yet to be developed. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology and customer service and through acquisitions, there can be no assurance that these investments will be sufficient to maintain Shaw's market share or performance in the future.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers may require substantial promotional activity and increase our cost of customer acquisition, decrease our ARPU, or both. We expect that competition, including aggressive discounting practices by competitors to gain market share, will continue to increase for all of our businesses.

Consumer Internet

Shaw competes with a number of different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading and interactive gaming. As described further under "Shaw's Wireline Network", Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth, however, there can be no assurance that our investments in network capacity will continue to meet this increasing demand.

Consumer Video

Shaw's Consumer video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated over-the-top video services and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer video services. Our satellite services also compete with illegal satellite services including grey and black market offerings.

Consumer Phone

Shaw's competitors for Consumer wireline phone services include traditional telephone companies, other wireline carriers, Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of such competitors have larger operational and financial resources than Shaw. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer wireline phone services.

Wireless

Freedom Mobile, formerly WIND Mobile, is a new entrant in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse, spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. The LTE-Advanced overlay network will be built using our Wireless division's AWS-3 spectrum licences. A robust ecosystem of handset devices for the AWS-3 spectrum band may not emerge in a timeframe that matches the planned roll-out of our LTE-Advanced network. In addition, our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies.

Business Network Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Service and Shaw Tracking also compete in industries that are highly competitive, rapidly evolving and subject to constant change.

Business Infrastructure Services

Shaw's hybrid IT services business operates in a highly competitive market that includes telecommunications companies, carriers, ISPs, managed service providers, large real estate investment trusts and other data centre operators, many of which are well-established in the areas where they operate. Ongoing consolidation within the industry has created, and is expected to continue to create, large organizations having larger operational and financial resources than Shaw.

Impact of Regulation

As more fully discussed under "Government regulations and regulatory developments", a majority of our Canadian business activities are subject to: (i) regulations and policies administered by ISED and/or the CRTC, and (ii) conditions of licenses. Shaw's operations, financial results, and future prospects are affected by changes in regulations, policies and decisions, conditions of licenses and decisions, including changes in interpretation of existing regulations by courts, the government or the regulators, in particular the CRTC, ISED, Competition Bureau and Copyright Board. This regulation relates to, and may have an impact on, among other things, licensing, spectrum holdings, products and services, competition, programming carriage and terms of carriage, strategic transactions, and infrastructure access, and the potential for new or increased fees or costs. Changes in the regulatory regime may have a material adverse effect on Shaw and its reputation, as well as Shaw operations, financial results and/or future prospects.

Economic Conditions

The Canadian and U.S. economies are affected by uncertainty in global financial and equity markets and slowdowns in national and/or global economic growth. Changes in economic conditions may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results.

Foreign Operations

ViaWest and Shaw's other U.S. operations are exposed to fluctuations in the U.S. economy, U.S. regulatory changes, and other political developments, all of which could have an adverse impact on Shaw's business and financial results. The U.S. tends to be a litigious environment with larger damages awards compared to Canada. In some instances, Shaw may be subject to the exclusive jurisdiction of the U.S. courts.

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) Interest rates: Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities as more fully described in Note 13 to the Consolidated Financial Statements, and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets as more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are primarily fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

As at August 31, 2016, 79% of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) Foreign exchange: A portion of Shaw's debt, capital expenditures, revenues and operating expenses are denominated in U.S. dollars – both for ViaWest and Shaw's other U.S. operations. In addition, Shaw's net investment in ViaWest is exposed to foreign exchange risk related to fluctuations in exchange rates between the Canadian and U.S. dollar. This risk is mitigated by certain U.S. dollar denominated debt which is designated as a hedge for the net investment in ViaWest as well as U.S. dollar forward purchases to reduce foreign exchange exposure to Shaw. Fluctuations in the value of the Canadian dollar relative to the U.S. dollar may have a material adverse effect on Shaw, its operations and/or its financial results.

(c) Capital markets: Shaw requires ongoing access to capital markets to support our operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a balance of fixed and floating rate debt. Shaw may enter into forward contracts in respect of U.S. dollar capital expenditure and operating commitments to manage its exposure to foreign exchange uncertainty. While hedging and other efforts to manage floating interest rate risk are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. If Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

Equity Investment in Corus

As at August 31, 2016, the Company had a 38**%** interest in Corus, which operates a portfolio of multimedia offerings comprised of specialty television services, radio stations, conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services (see "Equity Interest in Corus"). Each of these businesses faces competition, including competition for subscribers, advertising customers and engaging content. Corus' performance affects the value of the Company's investment in Corus and the Company's financial results. Corus' performance may not meet the Company's expectations (including in respect of Corus' payment of a regular dividend) in the near and/or long term.

As Corus is a publicly traded company, its value to the Company may be determined by market factors that do not reflect its value. This may limit the Company's ability to market its interest in Corus at a price that reflects the intrinsic value of Corus to the Company.

Programming Expenses

Expenses for video programming continue to be one of our most significant single expense items. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and may have a material adverse effect on Shaw, its operations and/or its financial results.

Satellite Failure

Shaw relies on three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to provide satellite services in our Consumer and Business Network Services divisions. The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. For transponders on Anik F1R and Anik F2, the Company does not maintain any indirect insurance coverage as it believes the costs are uneconomic relative to the benefit which could otherwise be derived through an arrangement with Telesat. In the case of Anik G1, Telesat is committed to maintaining insurance on the satellite for five years from its April 2013 launch. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites as it believes the premium costs are uneconomic relative to the risk of satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-preemptible basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R, Anik F2 and Anik G1 transponders that are secured through capacity service agreements. The Company has priority access to spare transponders on Anik F1R, Anik F2 and Anik G1 in the case of interruption, subject to availability. In the event of satellite failure, service will only be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade of their video terminal or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including Shaw's own networks or third party networks. Such network failures may be caused by fire damage, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events which may be beyond Shaw's control.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures the plant in the hybrid fibre-coax network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would be also limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the hybrid fibre-coax access network is located underground.

Shaw protects its wireline network through a number of measures including physical and information technology security, and ongoing maintenance and placement of insurance on our network equipment and data centres. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service.

Shaw protects its wireless network and mitigates wireless network failure through physical and information technology security, ongoing maintenance, and by carrying insurance on its wireless network equipment.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Cyber Security Risks

Shaw's systems and network architecture are designed and operated to be secure, but they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software or the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security stance within Shaw while we continue to monitor the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance we will be able to protect the network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various IT systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have an adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Reliance on Suppliers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The Company sources its customer premise and capital equipment, capital builds as well as portions of its service offerings from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its operations and/or its financial results. There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business, whether in Canada or the U.S. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division. Some studies have alleged that links exist between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. Our Wireless division complies with all applicable laws and regulations. Further, our Wireless division relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results.

Holding company structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Class A Shares are the only shares entitled to vote on all shareholder matters. Voting control of the Company is held by Shaw Family Living Trust ("SFLT") which holds, for the benefit of descendants of JR and Carol Shaw, 17,562,400 Class A Shares, being approximately 78% of the issued and outstanding shares of such class as at August 31, 2016. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Carol Shaw, and four other members of JR Shaw's family. Accordingly, JR Shaw, through SFLT and its trustee, is able to elect a majority of the Board of Directors of the Company and to control any vote by the holders of Class A Shares.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share and quarterly preferred share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to stabilize dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the Company will continue common or preferred share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

DISCUSSION OF OPERATIONS AND FOURTH QUARTER

To comply with the requirements of Items 1.4 (Discussion of Operations) and 1.10 (Fourth Quarter) of Form 51-102F1 of National Instrument 51-102, the sections entitled "Discussion of Operations" and "Overview" in the Company's Management's Discussion and Analysis for the fourth quarter and year ended August 31, 2016 (the "**2016 Fourth Quarter MD&A**") are incorporated by reference herein. The 2016 Fourth Quarter MD&A can be found on SEDAR at www.sedar.com.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization[1]	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income[2]	Basic and diluted earnings per share from continuing operations	Basic and diluted earnings per share
(millions of Canadian dollars except per share amounts)							
2016							
Fourth	1,306	549	144	154	154	0.29	0.31
Third	1,283	555	58	700	704	0.11	1.44
Second	1,151	502	116	156	164	0.24	0.32
First	1,144	508	138	209	218	0.28	0.43
Total	4,884	2,114	456	1,219	1,240	0.92	2.50
2015							
Fourth	1,131	525	247	272	276	0.51	0.57
Third	1,135	527	136	202	209	0.28	0.42
Second	1,118	498	135	163	168	0.28	0.34
First	1,100	487	148	219	227	0.31	0.46
Total	4,484	2,037	666	856	880	1.38	1.79

(1) Refer to Key performance drivers.
(2) Net income attributable to both equity shareholders and non-controlling interests.

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's wireline, satellite, wireless or data centre businesses do not depend on any single customer or concentration of customers.

Fourth quarter net income decreased $550 million compared to the third quarter of fiscal 2016 mainly due to lower income from discontinued operations relating primarily to the gain on the divestiture of the former Media division recorded in the third quarter, decreased operating income before restructuring costs and amortization, and higher income taxes. Partly offsetting the decrease in net income were decreases in net other costs and revenues and restructuring costs. Net other costs and revenue decreased primarily due to non-recurring charges recorded in the third quarter, including a $17 million impairment of goodwill relating to the Tracking business, a $51 million impairment of the Company's joint venture investment in shomi, a $20 million write-down of a private portfolio investment, $12 million in acquisition related costs and a $10 million loss from an equity accounted associate. See "Other income and Expense" for further detail on non-operating items.

Net income for the third quarter increased $540 million compared to the second quarter of fiscal 2016 mainly due to higher income from discontinued operations relating primarily to the gain on the divestiture of the former Media division, increased operating income before restructuring costs and amortization and lower income taxes. Partly offsetting the net income improvement in the quarter were: i) decreased net other costs and revenue; ii) increased restructuring charges; and iii) increased amortization. Net other costs and revenue decreased primarily due to $17 million impairment of goodwill relating to the Tracking business, a $51 million impairment of the Company's shomi joint venture investment, a $20 million write-down of a private portfolio investment and a $10 loss from an equity accounted associate.

In the second quarter of 2016, net income decreased $54 million compared to the first quarter of fiscal 2016 mainly due to decreased income from discontinued operations of $32 million, primarily due to the seasonality of the Media business reflected in income from discontinued operations, net of tax, and net other costs and revenues of $13 million. Net other costs and revenues decreased primarily due to $8 million of costs recorded in the quarter related to the acquisition of WIND and INetU.

In the first quarter of 2016, net income decreased $58 million compared to the fourth quarter of 2015 mainly due to a change in net other costs and revenues of $140 million and decrease in operating income before restructuring costs and amortization of $17 million offset by an increase in income from discontinued operations, net of tax, of $51 million and a decrease in income taxes of $50 million. Net other costs and revenues decreased primarily due to a fourth quarter 2015 gain on the sale of wireless spectrum of $158 million less the impact of a $27 million write-down of a private portfolio investment in the same period offset by an increase in the equity loss of a joint venture of $5 million in the first quarter of 2016.

In the fourth quarter of 2015, net income increased $67 million primarily due to improved net other revenue items of $191 million partially offset by lower income from discontinued operations, net of tax, of $44 million and higher income tax expense of $70 million. The improvement in net other costs and revenue items was due to the combined effects of the aforementioned sale of spectrum licenses and write-down of a private portfolio investment during the fourth quarter and the $59 million net charge arising in the third quarter related to an impairment of goodwill, write-down of IPTV assets and proceeds received on the Shaw Court insurance claim.

In the third quarter of 2015, net income increased $41 million due to higher operating income before restructuring costs and amortization of $29 million, an increase in income from discontinued operations, net of tax, of $40 million, lower restructuring costs of $35 million and $11 million of proceeds related to the Shaw Court insurance claim, partially offset by a charge for impairment of goodwill of $15 million and write-down of IPTV assets of $55 million as well as the distributions received from a venture capital fund in the second quarter. The impairment of goodwill was in respect of the Tracking operations in the Business Network Services division and was a result of the Company's annual impairment test of goodwill and indefinite-life intangibles in the third quarter. The write-down of IPTV assets was a result of the Company's decision to work with Comcast to begin technical trials of their cloud-based X1 platform.

In the second quarter of 2015, net income decreased $59 million due to lower income from discontinued operations, net of tax, of $46 million and restructuring expenses of $36 million partially offset by higher operating income before restructuring costs and amortization of $10 million, net other costs and revenue items of $24 million due to the aforementioned venture capital fund distributions.

In the first quarter of 2015, net income increased $35 million due to income from discontinued operations, net of tax, of $56 million and a decrease in income taxes of $26 million, partially offset by increases in amortization of $33 million and net other costs of $17 million. The increase in net other costs and revenue was primarily due to an equity loss of $13 million in respect of the Company's joint venture interest in shomi.

The following further assists in explaining the trend of quarterly revenue and operating income before restructuring costs and amortization:

Growth (losses) in subscriber statistics as follows:

	2016				2015			
Subscriber Statistics	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Video – Cable	**(20,900)**	**(39,354)**	**(25,993)**	**(23,773)**	(15,591)	(35,967)	(24,524)	(39,315)
Video – Satellite	**(12,628)**	**(3,560)**	**1,113**	**(6,780)**	(17,980)	(8,254)	(2,820)	(8,146)
Internet	**8,418**	**2,788**	**(8,302)**	**12,064**	14,048	(1,819)	7,212	2,699
Phone	**(19,730)**	**(11,369)**	**(9,767)**	**(13,094)**	(599)	(12,027)	(20,974)	(29,683)
Wireless – Postpaid	**–**	**–**	**639,997**	**27,031**	–	–	–	–
Wireless – Prepaid	**–**	**–**	**363,472**	**12,788**	–	–	–	–

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2016 CONSOLIDATED RESULTS

(millions of Canadian dollars except per share amounts)	2016	2015	2014	Change 2016 %	Change 2015 %
Operations:					
Revenue	**4,884**	4,486	4,219	**8.9**	6.3
Operating income before restructuring costs and amortization[1]	**2,114**	2,037	1,909	**3.8**	6.7
Operating margin[1]	**43.3%**	45.4%	45.3%	**(2.1pts)**	0.1pts
Funds flow from continuing operations[2]	**1,483**	1,398	1,302	**6.1**	7.4
Net income from continuing operations	**456**	666	606	**(31.5)**	9.9
Income from discontinued operations, net of tax	**784**	214	281	**>100.0**	(23.8)
Net income	**1,240**	880	887	**40.9**	(0.8)
Free cash flow[1]	**482**	653	698	**(26.2)**	(6.4)
Balance sheet:					
Total assets	**15,244**	14,564	13,250		
Long-term financial liabilities					
Long-term debt (including current portion)	**5,612**	5,669	4,690		
Other financial liabilities	**5**	20	5		
Per share data:					
Basic earnings per share					
Continuing operations	**0.92**	1.40	1.30		
Discontinued operations	**1.59**	0.40	0.54		
	2.51	1.80	1.84		
Diluted earnings per share					
Continuing operations	**0.92**	1.39	1.30		
Discontinued operations	**1.59**	0.40	0.54		
	2.51	1.79	1.84		
Weighted average number of participating shares outstanding during period (millions)	**480**	468	457		
Cash dividends declared per share					
Class A	**1.1825**	1.1613	1.0775		
Class B	**1.1850**	1.1638	1.0800		

(1) Refer to Key performance drivers.
(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Fiscal 2016 Highlights

- Net income was $1.24 billion for fiscal 2016 compared to $880 million in 2015.
- Earnings per share were $2.51 in fiscal 2016 compared to $1.80 in 2015.
- Revenue for fiscal 2016 improved 8.9% to $4.88 billion from $4.49 billion last year.
- Operating income before restructuring costs and amortization of $2.11 billion in fiscal 2016 was up 3.8% over last year's amount of $2.04 billion.
- Consolidated free cash flow in fiscal 2016 was $482 million compared to $653 million in 2015.

- During 2016 the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850 respectively. Dividends paid in 2016 were $568 million gross of amounts attributed to the dividend reinvestment plan.

Significant acquisitions, financings and other transactions:

ViaWest acquisition of INetU, Inc.

- On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU, Inc. ("INetU") for US$162 million which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility.
- INetU is a solutions provider of public, private and hybrid cloud environments offering managed security and compliance services. The acquisition of INetU allowed ViaWest to add new services to its cloud and managed offerings, and expanded its geographical footprint with eastern U.S. and European cloud locations.

Acquisition of Mid-Bowline Group Corp and its wholly owned subsidiary WIND Mobile Corp.

- On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary WIND Mobile Corp. for an enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company's credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares.
  - The fair value of purchase consideration consisted of $1.59 billion in cash and $68 million in shares. The acquisition of WIND Mobile led to the creation of our Wireless division.
- The addition of wireless enables Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within our operating footprint.

Sale of Shaw Media Inc.

- On April 1, 2016, the Company entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. for a purchase price of approximately $2.65 billion, comprised of $1.85 billion of cash and 71,364,853 Corus Class B non-voting participating shares representing approximately 37% of Corus' total issued equity of Class A and Class B shares.
  - For fiscal 2016, the assets and liabilities, operating results and operating cash flows for the previously reported Media segment were presented as discontinued operations separate from the Company's continuing operations. Prior period financial information was also reclassified to present the former Media division as a discontinued operation.
  - The Company recognized a gain on the divestiture, net of tax, in income from discontinued operations of $625 million.
- Through holding of the shares in Corus, the Company will effectively retain an indirect, non-controlling interest in the former Media division subsequent to the sale, but the Company will no longer have control over the Media division.
- The Company participates in Corus' dividend reinvestment program for its initial investment in Corus Class B Shares. For the year ended August 31, 2016, the Company received dividends of $34 million from Corus that were reinvested through the program into additional Corus Class B shares. At August 31, 2016, the Company owned 74,135,891 Corus Class B shares having a fair value of $911 million and representing 38% of the total issued equity of Corus.

Financing activity

- During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term facility of $50 million. During 2014, the Company amended the terms of the facility to extend the maturity date from January 2017 to December 2019. During 2016, the Company elected to increase its borrowing capacity by $500 million under the terms of the amended facility to a total of $1.5 billion. Funds are available to the Company in both Canadian and US dollars. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates.

- During 2016, ViaWest entered into an incremental US$80 million term loan and increased the borrowing capacity available on the revolving facility by US$35 million. The incremental term loan has quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuate with LIBOR, US prime and US Federal Funds rates and the facilities are secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement
- On February 1, 2016, the Company repaid $300 million floating rate senior notes.
- On February 19, 2016, the Company issued $300 million senior notes at a rate of 3.15% due February 19, 2021.
- In connection with the acquisition of WIND Mobile on March 1, 2016, the Company drew down $1.3 billion on its credit facility comprised of a $1.0 billion non-revolving credit facility with a syndicate of lenders that was entered into on March 1, 2016 along with $300 million drawn on the Company's existing credit facility. These amounts were repaid on April 1, 2016 using the cash proceeds received from the Shaw Media disposition.
- On May 9, 2016, the Company repaid $300 million 6.15% senior notes.

Other items of significance

- The Company has a 50% interest in Shomi Partnership ("shomi") a joint venture arrangement with Rogers Communications Inc. ("Rogers"), a subscription video-on-demand service that launched in November 2014. Subsequent to the year end, shomi announced its decision to wind down its operations with service ending November 30, 2016. As a result, the Company expects to incur an investment loss of up to $120 million in its first quarter ending November 30, 2016 relating to estimated provisions for future liabilities in shomi.
- During 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of WIND and divestiture of Shaw Media. As part of the restructuring, the Company initiated an efficiency program that will deliver fiscal 2017 operating cost and capital efficiencies, in aggregate, of approximately $75 million. Approximately 200 employees were affected by the 2016 restructuring of which $23 million of restructuring costs were recorded relating primarily to severance and employee related costs.

Fiscal 2015 Highlights:

- Net income was $880 million for fiscal 2015 compared to $887 million in 2014.
- Earnings per share were $1.80 in fiscal 2015 compared to $1.84 in 2014.
- Revenue for fiscal 2015 improved 6.3% to $4.49 billion from $4.22 billion in 2014
- Operating income before restructuring costs and amortization of $2.04 billion in fiscal 2015 was up 6.7% over 2014 amount of $1.91 billion.
- Consolidated free cash flow in fiscal 2015 was $653 million compared to $698 million in 2014.
- During 2015 the Company increased the dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent annual per share dividend rate of $1.1825 and $1.185 respectively. Dividends paid in 2015 were $535 million gross of amounts attributed to the dividend reinvestment plan.

Significant acquisitions, financings and other transactions:

Acquisition of ViaWest

- On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 million on the Company's credit facility.
- The ViaWest acquisition provided the Company with a growth platform in the North American data centre sector and represented another step in expanding technology offerings for mid-market enterprises in Western Canada.

Other items of significance

- In April 2014 the Company announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. Commencing in fiscal 2015, Shaw's residential and enterprise services were reorganized into new Consumer and Business units, respectively. The organization structure realignment efforts included the following initiatives:
  - Adapting its customer care operations into centres of expertise in order to improve the end-to-end customer service experience;
  - Restructuring certain functions within the Business Network Services division to improve customer service and performance; and
  - Organizational changes in the former Media division to transition from a traditional broadcaster to a broader focus media organization.
  - In 2015, the Company recorded $52 million in respect of continued restructuring, primarily related to severance and employee related costs, which impacted approximately 1,700 employees.
- During fiscal 2015, the Company entered into a joint venture arrangement with Rogers to form shomi, a subscription video-on-demand. The service was launched in early November 2014.
- During 2013, the Company granted Rogers an option to acquire its wireless spectrum licenses. The exercise of the option and the sale of the wireless spectrum licenses were subject to various regulatory approvals and therefore, the licenses were not classified as held for sale. During fiscal 2015, the regulatory reviews concluded at which time Rogers exercised its option and the transfer was completed. The Company had previously received $50 million in respect of the purchase price of the option to acquire wireless spectrum licenses and a $200 million deposit in respect of the option exercise price. The Company received an additional $100 million when the transaction completed and recorded a gain of $158 million.
- During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from strategic transactions. Accelerated capital initiatives were funded through this fund and not cash generated from operations. Key investments included the Calgary data centres, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the Wi-Fi network, and additional innovative product offerings related to Shaw Go WiFi and other applications to provide an enhanced customer experience. Approximately $110 million was invested in fiscal 2013, $240 million in fiscal 2014, and $150 million in fiscal 2015. The accelerated capital fund was closed in fiscal 2015.

Fiscal 2014 Highlights:

Significant acquisitions, financings and other transactions:

- In 2014, we adopted a program called "Focus to Deliver" designed to enhance our efficiency and growth potential by ensuring business decisions are made in accordance with disciplined customer-centric criteria.
- Shaw also continued to invest in and build awareness of Shaw Go WiFi and as at August 31, 2014 had approximately 45,000 hotspots and 1.25 million devices registered on the network. The Company increased its equivalent annual per share dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent dividend rate of $1.0975 and $1.10 respectively. Dividends paid in 2014 were $485 million gross of amounts attributed to the dividend reinvestment plan.
- The Company conducted a number of capital market activities, including:
  - The issuance of 4.35% $500 million senior unsecured notes due January 31, 2024.
  - The issuance of $300 million floating rate senior unsecured notes due February 1, 2016.
  - The redemption of $600 million senior unsecured notes due June 2, 2014.

Revenue and operating income before restructuring costs and amortization

Consolidated revenue of $4.88 billion for fiscal 2016 improved 8.9% over $4.49 billion for fiscal 2015. Revenue growth was due to the addition of the new Wireless division and customer growth in the Business Network Services and the Business Infrastructure Services divisions as well as due to the incremental revenue acquired with the purchase of INetU. Consumer

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

revenue was comparable to the prior year where improvements in revenue from annual August rate increases and growth in Internet RGUs were offset by video, phone and satellite RGU declines and lower On Demand revenues.

Operating income before restructuring costs and amortization of $2.11 billion for the twelve month period improved 3.8% compared to $2.04 billion for fiscal 2015. The improvement reflects the addition of the Wireless division and growth in the Business Infrastructure Services and Business Network Services divisions attributable to profitable customer growth and the acquisition of INetU. This improvement was partially offset by lower operating income before restructuring costs and amortization in the Consumer division related primarily to higher costs associated with the deployment of FreeRange TV and programming.

Amortization

(millions of Canadian dollars)	2016	2015	Change %
Amortization revenue (expense) –			
Deferred equipment revenue	**67**	78	(14.1)
Deferred equipment costs	**(151)**	(164)	7.9
Property, plant and equipment, intangibles and other	**(873)**	(778)	(12.2)

Amortization of deferred equipment revenue and deferred equipment costs decreased over the comparable year primarily due to the impact of the fluctuation in the sales mix of equipment, timing and volume of sales and amortization periods for amounts in respect of customer premise equipment, as well as changes in customer pricing on certain equipment.

Amortization of property, plant and equipment, intangibles and other increased 12.2% for the year ended August 31, 2016 over the comparable periods due to amortization related to the new Wireless division as well as the effect of higher foreign exchange rates on the translation of ViaWest and the amortization of new expenditures exceeding the amortization of assets that became fully amortized during the periods

Amortization of financing costs and Interest expense

(millions of Canadian dollars)	2016	2015	Change %
Amortization of financing costs – long-term debt	**5**	4	25.0
Interest expense	**301**	283	6.4

Interest expense for the twelve month period ended August 31, 2016 increased over the comparable period primarily due to increased debt related to business acquisitions, foreign exchange on U.S. dollar denominated debt and a decrease in capitalized interest.

Other income and expenses

(millions of Canadian dollars)	2016	2015	Increase (decrease) in income
Business acquisition costs	**(21)**	(6)	(15)
Equity loss of an associate or joint venture	**(61)**	(56)	(5)
Gain on sale of wireless spectrum licenses	**–**	158	(158)
Impairment of goodwill	**(17)**	(15)	(2)
Other losses	**(102)**	(44)	(58)
	(201)	37	(238)

In fiscal 2016, the Company incurred $20 million of acquisition related costs for professional fees paid to lawyers, consultants, advisors and other related costs in respect of the acquisition of WIND which closed on March 1, 2016, and $1 million related to the acquisition of INetU. During the first quarter of the prior year, $6 million of costs were incurred in respect of the acquisition of ViaWest.

The Company recorded an equity loss of $52 million in fiscal 2016 (2015 – $56) related to its interest in shomi, the subscription video-on-demand service launched in early November 2014. The equity loss includes amounts in respect of the development and launch of the business. The Company recorded an equity loss of $10 million in fiscal 2016 (2015 – $nil) related to its interest in Corus.

In fiscal 2014, Rogers Communications Inc. exercised its option to acquire the Company's AWS spectrum as announced in January 2013. Previously the Company received $50 million in respect of the purchase price of the option to acquire wireless spectrum licenses and a $200 million deposit in respect of the option exercise price. The Company received an additional $100 million when the transaction completed in fiscal 2015 and recorded a gain of $158 million in that period.

As a result of the Company's annual impairment test of goodwill and indefinite-life intangibles, an impairment charge of $17 million was recorded in fiscal 2016 with respect to the Tracking operations in the Business Network Services division.

Other losses generally includes realized and unrealized foreign exchange gains and losses on U.S. dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a write-down of $54 in respect of the Company's investment in shomi, a write-down of $20 in respect of a private portfolio investment and asset write-downs of $16. In the prior year, the category included a write-down of $6 in respect of a property held for sale, distributions of $27 from a venture capital fund investment, a write-down of $27 in respect of a private portfolio investment, additional proceeds of $15 related to the fiscal 2012 Shaw Court insurance claim and asset write-downs of $55.

Subsequent to the period end, shomi, announced an orderly wind down with service ending November 30, 2016. As a result, the Company expects to incur an investment loss of up to $120 million in its first quarter ending November 30, 2016 relating to a provision for future liabilities in shomi.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 26.2% for 2016 and 25.5% for 2015 and was adjusted for the reconciling items identified in Note 23 to the Consolidated Financial Statements.

Earnings per share

(millions of Canadian dollars except per share amounts)	2016	2015	Change %
Net income	**1,240**	880	40.9
Weighted average number of participating shares outstanding during period (millions)	**480**	468	
Earnings per share			
Basic	**2.51**	1.80	
Diluted	**2.51**	1.79	

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Net income

Net income was $1.24 billion in 2016 compared to $880 million in 2015. The year-over-year changes are summarized in the table below.

(millions of Canadian dollars)	
Increased operating income before restructuring costs and amortization	**77**
Decreased restructuring costs	**16**
Increased amortization	**(93)**
Increased interest expense	**(18)**
Change in other net costs and revenue(1)	**(239)**
Decreased income taxes	**47**
Increased income from discontinued operations, net of tax	**570**
	360

(1) Net other costs and revenue includes gains on sales of wireless spectrum licenses and media assets, business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, equity loss of an associate or joint venture, impairment of goodwill and other losses as detailed in the Consolidated Statements of Income.

Net income for the twelve month period ended increased $360 million relative to the comparable period primarily due to higher income from discontinued operations, net of tax, higher operating income before restructuring and amortization and a decrease in income taxes. Partly offsetting the improvement were increases in net other costs and revenue, higher interest expense and amortization, and reduced income from discontinued operations, net of tax, for the period following the divestiture.

Net other costs and revenues were unfavourable primarily due to amounts incurred in the third quarter related to the acquisition of WIND, a $17 million impairment of goodwill relating to the Tracking business, the impairment and equity loss of the Company's joint venture in shomi of $54 million, the write-down of private portfolio investment and a $10 million loss from an equity accounted associate. See "Other income and Expense" for further detail on non-operating items.

SEGMENTED OPERATIONS REVIEW

CONSUMER

FINANCIAL HIGHLIGHTS

(millions of Canadian dollars)	2016	2015	Change %
Revenue	**3,752**	3,752	–
Operating income before restructuring costs and amortization(1)	**1,667**	1,686	(1.1)
Operating margin(1)	**44.4%**	44.9%	(0.5pts)

(1) Refer to Key performance drivers.

Consumer revenue for the year of $3.8 billion was comparable to last year. The effect of price adjustments and growth in Internet was offset by higher promotional costs, reduced On-Demand revenues and lower video and phone subscribers.

Operating income before restructuring costs and amortization of $1.67 billion decreased 1.1% over the prior year. The year-to-date result was affected primarily by higher expenses including implementation and recurring costs attributable to the launch of FreeRange TV, and programming costs due to annual contracted increases and new content, offset partially by lower employee related costs due in part to the efficiency program enacted in the third quarter.

BUSINESS NETWORK SERVICES

Financial Highlights

(millions of Canadian dollars)	2016	2015	Change %
Revenue	**548**	520	5.4
Operating income before restructuring costs and amortization[1]	**265**	256	3.5
Operating margin[1]	**48.4%**	49.2%	(0.8pts)

(1) Refer to Key performance drivers.

Revenue of $548 million was 5.4% higher than the prior year primarily due to customer growth in both small to medium size businesses and in large enterprise markets as well as an August 2016 rate increase for legacy video, internet and phone products. The core business, which excludes satellite services, increased revenues 7.0% on a full year basis, reflecting continued customer growth converting to or adding Shaw's Smart suite of products.

Operating income before restructuring costs and amortization of $265 million improved 3.5% over the comparable year due to consistent customer growth trends throughout fiscal 2016 partly offset by the incremental costs associated with pursuing new customer opportunities including additional employee and marketing costs incurred relating to the Smart suite of products.

BUSINESS INFRASTRUCTURE SERVICES

Financial Highlights

(millions of Canadian dollars)	2016	2015	Change %
Revenue	**334**	246	35.8
Operating income before restructuring costs and amortization[1]	**123**	95	29.5
Operating margin[1]	**36.8%**	38.6%	(1.8pts)

(1) Refer to Key performance drivers.

Revenue for the year was $334 million and operating income before restructuring costs and amortization was $123 million. For the year, revenue of $334 million increased 35.8% over the prior year due primarily to the acquisition of INetU and customer growth in addition to a favourable foreign exchange impact and a full year of results from AppliedTrust, acquired in the fourth quarter of 2015. Excluding the effect of foreign exchange, revenue for the U.S. based operations increased by 24.3% to US$252 million for the twelve month period. Excluding the effect of INetU, revenue for the U.S. based operations increased by 12.0% to US$227 million for the twelve month period.

WIRELESS

Financial Highlights

(millions of Canadian dollars)	2016
Revenue	**280**
Operating income before restructuring costs and amortization[1]	**59**
Operating margin[1]	**21.1%**

(1) Refer to Key performance drivers.

In fiscal 2016, the Company reported six months of operating results from the newly created Wireless division which was formed with the acquisition of WIND which was acquired on March 1, 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

During 2016, our Wireless division reached a milestone in acquiring its one-millionth combined postpaid and prepaid subscriber. The year ended with 667,028 postpaid subscribers and 376,260 prepaid subscribers and ARPU of $37.40, representing a 6% increase since the date of acquisition.

CAPITAL EXPENDITURES AND EQUIPMENT COSTS

	Year ended August 31,		
(millions of Canadian dollars)	2016	2015	Change %
Consumer and Business Network Services			
New housing development	**105**	106	(0.9)
Success based	**275**	284	(3.2)
Upgrades and enhancements	**401**	353	13.6
Replacement	**43**	35	22.9
Buildings and other	**91**	176	(48.3)
Total as per Note 24 to the audited annual consolidated financial statements	**915**	954	(4.1)
Business Infrastructure Services			
Total as per Note 24 to the audited annual consolidated financial statements	**155**	152	2.0
Wireless			
Total as per Note 24 to the audited annual consolidated financial statements	**121**	–	n/a
Consolidated total as per Note 24 to the audited annual consolidated financial statements(1)	**1,191**	1,106	7.7

(1) Fiscal 2015 includes $150 million related to certain capital investments that were funded from the accelerated capital fund.

Capital investment was $1.2 billion in the current year compared to $1.1 billion in the prior year which included $150 million of investment funded through the accelerated capital fund. The accelerated capital fund initiatives, which were completed in the fourth quarter of 2015, included investment on new internal and external Calgary data centres, increasing network capacity, next generation video delivery systems, back office infrastructure upgrades, and expediting the Wi-Fi infrastructure build.

Consumer and Business Network Services

Success based capital for the twelve month period of $275 million was moderately lower than the comparable periods last year. The current year decrease in success based capital was due primarily to lower phone installations and decreased advanced Internet Wi-Fi modem spend partially offset by higher Satellite success based capital spend driven by higher customer activations, increased equipment discounts and lower rental returns. Rental returns decreased in the year due mainly to the termination of the Satellite rental program.

Investment in the combined upgrades and enhancement and replacement categories was $444 million, a $56 million increase over fiscal 2015 due to: i) investment in the wireline network including significant bandwidth and upgrade programs; ii) next generation video delivery platforms necessary to support the rollout of Comcast's X1 and TVE products; iii) timing of bulk material and vehicle purchases; iv) initial investment in support of Satellite MPEG2 to MPEG4 upgrade: v) investment in Business Network Services managed Wi-Fi and SmartVoice products; and vi) mainline upgrade activities. Increased investments were partly offset by lower spend on Shaw Go WiFi access points and fibre builds in support of Business Network Services.

Investment in buildings and other of $91 million for the twelve month period was down $85 million over the comparable period. The decreases in each of the current quarter and year-to-date periods relate to lower spend on the internal data centre, Shaw Court refurbishment expenditures, lower internal network, software and equipment upgrades and lower capitalized interest.

Capital spend on new housing development was $105 million comparable to the prior year.

Business Infrastructure Services

Capital investment of $155 million for the twelve month period was primarily growth related capital investment in core infrastructure and equipment to expand existing facilities in Denver, Colorado and Portland, Oregon along with development of the newest data center in Plano, Texas. Also included in the twelve-month period is $11 million related to investment in the Calgary1 data centre located in Calgary, Alberta facility.

Wireless

Capital investment of $121 million for the six months since the formation of the Wireless division, respectively, represented investment for the continued improvement in the network infrastructure primarily in the LTE-Advanced core and radio network rollout readiness project across the network as well as capital investments made on the upgrade of back office systems.

DISCONTINUED OPERATIONS – SHAW MEDIA

	Year ended August 31,	
	2016	**2015**
Revenue	**610**	1,080
Eliminations(1)	**(46)**	(78)
	564	1,002
Operating, general and administrative expenses		
Employee salaries and benefits	**109**	180
Purchases of goods and services(2)	**272**	558
	381	738
Eliminations(1)	**(46)**	(78)
	335	660
Restructuring costs	**–**	13
Amortization(2)	**11**	30
Accretion of long-term liabilities and provisions	**2**	4
Other losses	**–**	5
Income from discontinued operations before tax and gain on divestiture	**216**	290
Income taxes	**57**	76
Income from discontinued operations before gain on divestiture	**159**	214
Gain on divestiture	**672**	–
Income taxes on gain	**47**	–
Income (loss) from discontinued operations, net of tax	**784**	214

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

(2) As of the date the Media division met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in twelve month period amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other.

For the twelve month period, revenue of $564 million and income from discontinued operations, net of tax, of $784 million compared to $1.0 billion and $214 million last year, respectively. The revenue decrease was the result of seven months of results in the current year prior to the divestiture of the former Media division on April 1, 2016. The increase in income from discontinued operations, net of tax, was primarily due to the $672 million gain on the divesture offset by the impact of lower income from discontinued operations before gain on divestiture, the result of only seven months of results in the current year, and income taxes on the gain.

FINANCIAL POSITION

Total assets were $15.2 billion at August 31, 2016 compared to $14.6 billion at August 31, 2015. Following is a discussion of significant changes in the consolidated statement of financial position since August 31, 2015.

Current assets decreased $133 million due to decreases in accounts receivable of $200 million, partially offset by increases in cash of $7 million and other current assets of $60 million. Accounts receivable decreased primarily due to the sale of the former Media division, partly offset by accounts receivable of WIND acquired during the third quarter. Cash increased as the funds provided by operations exceeded the cash outlay for investing and financing activities. Other current assets increased with the acquisition of WIND.

Investments and other assets increased $756 million primarily due to the Corus Class B shares received as proceeds on the sale of the Media division, partially offset by equity losses of associates and joint ventures and write-downs of an investment in shomi and an investment in a privately held entity.

Property, plant and equipment increased $387 million due to the WIND and INetU business acquisitions and capital investment in excess of amortization, partly offset by property, plant and equipment of the Media division, which was sold during the third quarter. Other long-term assets increased $16 million mainly due to the acquisition of WIND. Intangibles and goodwill decreased $343 million due to goodwill and intangibles related to the Media division which was disposed of during the quarter, partly offset by $1.6 billion of intangibles and $231 million goodwill recorded on the acquisitions of INetU and WIND, net software intangible additions and the ongoing effect of foreign exchange arising on translation of ViaWest.

Current liabilities decreased $119 million during the quarter due to decreases in the current portion of long-term debt of $196 million and current provisions of $19 million, partially offset by increases of $57 million in accounts payable and accruals, $20 million in income taxes payable and $19 million in unearned revenue. The decrease in current portion of long term debt is due to the repayment of $300 million variable rate senior notes on February 1, 2016 and $300 million 6.15% senior notes on May 9, 2016, partly offset by inclusion of $400 million 5.70% senior notes due March 2, 2017. Current provisions decreased primarily due to lower unpaid restructuring amounts. Accounts payable and accruals increased due the inclusion of accounts payable related to WIND which was acquired in the third quarter, partially offset by accounts payable related to the Media division which was sold during the third quarter and the timing of payment and fluctuations in various payables including capital expenditures and interest. Income taxes payable increased as a result of the current period provision partially offset by installments made in the period.

Long-term debt increased $139 million due to the issuance of $300 million in fixed rate senior notes at a rate of 3.15% due February 19, 2021, the debt incurred related to the acquisition of INetU under ViaWest's and the Company's credit facility totaling US $170 million and the effect of foreign exchanges rates on ViaWest's debt and the Company's US dollar borrowings under its credit facility, partially offset by the reclassification of the 6.15% senior notes to current liabilities.

Other long-term liabilities decreased $51 million mainly due to amounts related to the former Media division which was sold and contributions to employee benefit plans partially offset by actuarial losses recorded on those plans in the current quarter. Provisions increased due to the addition of WIND asset retirement obligations.

Deferred credits decreased $25 million due to a decline in deferred equipment revenue.

Deferred income tax liabilities increased $39 million primarily due to the amounts recorded on the acquisition of WIND and INetU, partly offset by amounts related to the former Media division which was sold during the previous quarter and current year income tax recovery.

Shareholders' equity increased $649 million primarily due to increases in share capital of $299 million and retained earnings of $622 million partly offset by decreases in accumulated other comprehensive loss of $33 million and equity attributable to non-controlling interests of $236 million. Share capital increased due to the issuance of 9,489,566 Class B non-voting participating shares ("Class B Non-Voting Shares") under the Company's option plan and Dividend Reinvestment Plan ("DRIP") and the issuance of 2,866,384 Class B Non-Voting Shares in connection with the acquisition of WIND. As at November 15, 2016, share capital is as reported at August 31, 2016 with the exception of the issuance of a total of 1,390,525 Class B Non-Voting Shares upon exercise of options under the Company's option plan and the DRIP. Retained earnings increased due to current year earnings of $1.2 billion, partially offset by dividends of $584 million while equity attributable to non-controlling interests decreased due to their share of current year earnings and derecognition in connection to the sale of Shaw Media. Accumulated other comprehensive loss decreased due to the net effect of exchange differences arising on the translation of ViaWest and U.S. dollar denominated debt designated as a hedge of the Company's net investment in those foreign operations as well as re-measurements recorded on employee benefit plans.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2016	2015	Change %
Funds flow from operations	**1,483**	1,398	6.1
Net change in non-cash working capital balances related to operations	**72**	(106)	>100.0
Operating activities of discontinued operations	**108**	249	(56.6)
	1,663	1,541	7.9

On a year-to-date basis, funds flow from operations increased over the comparable period primarily due to higher operating income before restructuring costs and amortization, lower restructuring costs and lower income tax expense, partially offset by higher business acquisition costs and interest expense. The net change in non-cash working capital balances related to operations fluctuated over the comparative periods due to changes in accounts receivable balances and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2016	2015	Decrease
Cash flow used in investing activities	**(1,227)**	(1,904)	677

For the twelve month period ended August 31, 2016, cash used in investing activities decreased over the comparable period primarily due to proceeds on the sale of the former Media division, partially offset by higher acquisitions and cash outlays for capital expenditures and inventory in the current year. The prior year also reflected net proceeds on the sale of wireless spectrum licenses.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Financing activities

The changes in financing activities during 2016 and 2015 were as follows:

(millions of Canadian dollars)	2016	2015
Bank loans – net borrowings	**69**	361
ViaWest's credit facilities (net) and finance lease obligations	**183**	52
WIND finance lease obligations	**(1)**	–
Repay Cdn variable rate senior notes	**(300)**	–
Issuance of 3.15% senior unsecured notes	**300**	–
Senior notes issuance cost	**(2)**	–
Repay 6.15% senior unsecured notes	**(300)**	–
Bank facility arrangement costs	**(11)**	(14)
Dividends	**(393)**	(382)
Issuance of Class B Non-Voting Shares	**38**	129
Financing activities of discontinued operations	**(12)**	(23)
	(429)	123

LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $482 million of free cash flow, including $132 million of free cash flow from discontinued operations. Shaw used its free cash flow along with $1.8 billion net proceeds on the sale of the Media division, $300 million proceeds from a 3.15% senior note issuance, borrowings of $1.4 billion under its credit facilities, borrowings of $192 million under ViaWest's credit facility, proceeds on issuance of Class B Non-Voting Shares of $37 million and funding through the net working capital change of $114 million to repay at maturity $300 million of variable rate senior notes, repay at maturity $300 million 6.15% senior notes, finance the $223 million acquisition of INetU, finance the $1.6 billion acquisition of WIND, pay common share dividends of $380 million, make $104 million in financial investments, repay $1.4 billion borrowings under its credit facilities, pay $35 million in restructuring costs and pay $7 million in other net items.

The Company issues Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $188 million during the twelve months ending August 31, 2016.

On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU for approximately US$162 million which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities and incremental term loan proceeds under ViaWest's credit facility. In addition, ViaWest's revolving credit facility was increased from US$85 million to US$120 million.

On February 11, 2016 the Company amended the terms of its bank credit facility to increase the maximum borrowings from $1.0 billion to $1.5 billion under the bank credit facility.

The Company entered into an agreement with a syndicate of lenders to provide a $1.0 billion non-revolving term loan facility to partially fund the acquisition of WIND. The Company used the proceeds of the term loan along with cash on hand, $300 million borrowings under its existing bank credit facility and proceeds from the issuance of 2,866,384 Class B Non-Voting Shares to finance the acquisition of WIND on March 1, 2016. The $1.0 billion non-revolving term loan facility and $300 million borrowings under the Company's bank credit facility were repaid on April 1, 2016 with the proceeds from the sale of Shaw Media.

Debt structure and financial policy

Shaw structures its borrowings generally on a standalone basis. With the exception of ViaWest, the borrowings of Shaw are unsecured. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

As at August 31, 2016, the ratio of debt to operating income before restructuring costs and amortization for the Company is 2.4 times. Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5 times would be optimal leverage for the Company in the current environment. Should the ratio fall below this, on an other than temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

Shaw's and ViaWest's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios. At August 31, 2016 Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

	Covenant Limit
Shaw Credit Facilities	
Total Debt to Operating Cash Flow(1) Ratio	< 5.00:1
Operating Cash Flow(1) to Fixed Charges(2) Ratio	> 2.00:1
ViaWest Credit Facilities	
Total Net Leverage Ratio(3)	≤ 6.50:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate of interest expense for the most recently completed fiscal quarter multiplied by four and dividends paid or accrued on shares (other than participating shares) during the most recently completed four fiscal quarters.

(3) Total Net Leverage Ratio is calculated as the ratio of consolidated total debt under the facility as of the last day of the most recent completed four fiscal quarters to Consolidated Adjusted EBITDA of ViaWest for the same period. Consolidated Adjusted EBITDA, for the purposes of the covenants, is calculated similar to Operating income before restructuring and amortization with adjustments for certain items such as one-time expenses and extraordinary items.

On June 30, 2016, 1,987,607 of the Company's Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") were converted into an equal number of Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares") in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company has 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. The Series A Shares will continue to be listed on the TSX under the symbol SJR.PR.A. The Series B Shares began trading on the TSX on June 30, 2016 under the symbol SJR.PR.B. The annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rate for the Series B Shares was set at an annual dividend rate of 2.539% for the period from and including June 30, 2016 to but excluding September 30, 2016. During the quarter, the floating quarterly dividend rate for the Series B Shares was set at an annual dividend rate of 2.512% for the period from and including September 30, 2016 to but excluding December 31, 2016. The floating quarterly dividend rate will be reset quarterly.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations, including maturing debt, during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2016

Off-balance sheet arrangement and guarantees

Guarantees

Generally it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 25 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2016 are detailed in the following table.

Contractual Obligations

	Payments due by period				
(millions of Canadian dollars)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Long-term debt[(1)]	8,797	710	570	3,048	4,469
Operating obligations[(2)]	1,383	310	455	295	323
Purchase obligations[(3)]	215	163	52	–	–
Other obligations[(4)]	5	–	5	–	–
	10,400	1,183	1,082	3,343	4,792

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and premises and exclusive rights to use intellectual property in Canada.
(3) Includes capital expenditure and inventory purchase commitments.
(4) Includes other non-current financial liabilities.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2016 Annual Information Form can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investors/Corporate Governance/ Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Chief Executive Officer and Chief Financial Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting.

As at August 31, 2016, the Company's management, together with its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

There were no changes in the Company's internal control over financial reporting during the fiscal year that have materially affected or are reasonably likely to materially affect Shaw's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Shaw Communications Inc.
Management's Responsibility For Financial Statements And Report On Internal Control Over Financial Reporting

November 28, 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss the internal control over financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission 1992 framework. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2016.

Shaw Communications Inc.
Management's Responsibility For Financial Statements And Report On Internal Control Over Financial Reporting

As permitted by SEC guidance, management has excluded its subsidiary, WIND Mobile Corp. ("WIND") from this evaluation of the system of internal control over financial reporting. Shaw completed the purchase of 100% of WIND on March 1, 2016. Additional information regarding this acquisition is included in Note 3 to the consolidated financial statements. WIND had assets and revenues representing approximately 14% and 6%, respectively, of the related consolidated financial statement amounts as of and for the year ended August 31, 2016. Further information on WIND is included in Note 24 to the consolidated financial statements. WIND will be included in management's evaluation of internal controls over financial reporting for the fiscal year ended August 31, 2017.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Vito Culmone
Executive Vice President and Chief Financial Officer

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Shaw Communications Inc.

We have audited the accompanying consolidated financial statements of Shaw Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2016 and 2015, and its financial performance and its cash flows for the years ended August 31, 2016 and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2016, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated November 28, 2016 expressed an unqualified opinion on Shaw Communications Inc.'s internal control over financial reporting.

Calgary, Canada
November 28, 2016

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

To the Shareholders of Shaw Communications Inc.

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2016, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Shaw Communications Inc.'s Management Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of WIND Mobile Corp., which is included in the August 31, 2016 consolidated financial statements of Shaw Communications Inc. and constituted $2,146 million of total assets as of August 31, 2016 and $280 million of revenues for the year then ended. Our audit of internal control over financial reporting of Shaw Communications Inc. also did not include an evaluation of the internal control over financial reporting of WIND Mobile Corp..

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2016, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2016 and 2015, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2016 and 2015, and our report dated November 28, 2016 expressed an unqualified opinion thereon.

Calgary, Canada
November 28, 2016

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.
Consolidated Statements of Financial Position

[millions of Canadian dollars]	August 31, 2016 $	August 31, 2015 $
ASSETS		
Current		
Cash	**405**	398
Accounts receivable *[note 4]*	**268**	468
Inventories *[note 5]*	**65**	60
Other current assets *[note 6]*	**138**	78
Assets held for sale *[note 3]*	**–**	5
	876	1,009
Investments and other assets *[notes 7 and 28]*	**853**	97
Property, plant and equipment *[note 8]*	**4,607**	4,220
Other long-term assets *[note 9]*	**275**	259
Deferred income tax assets *[note 23]*	**6**	14
Intangibles *[note 10]*	**7,450**	7,459
Goodwill *[note 10]*	**1,172**	1,506
	15,239	14,564
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities *[note 11]*	**944**	887
Provisions *[note 12]*	**33**	52
Income taxes payable	**215**	195
Unearned revenue	**215**	196
Current portion of long-term debt *[notes 13 and 28]*	**412**	608
	1,819	1,938
Long-term debt *[notes 13 and 28]*	**5,200**	5,061
Other long-term liabilities *[notes 14 and 26]*	**135**	186
Provisions *[note 12]*	**53**	10
Deferred credits *[note 15]*	**563**	588
Deferred income tax liabilities *[note 23]*	**1,174**	1,135
	8,944	8,918
Commitments and contingencies *[notes 13, 25 and 26]*		
Shareholders' equity		
Common and preferred shareholders	**6,294**	5,409
Non-controlling interests in subsidiaries	**1**	237
	6,295	5,646
	15,239	14,564

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
Consolidated Statements of Income

Years ended August 31 [millions of Canadian dollars except per share amounts]	2016 $	2015 $
Revenue *[note 24]*	**4,884**	4,486
Operating, general and administrative expenses *[note 21]*	**(2,770)**	(2,449)
Restructuring costs *[notes 12 and 21]*	**(23)**	(39)
Amortization:		
Deferred equipment revenue *[note 15]*	**67**	78
Deferred equipment costs *[note 9]*	**(151)**	(164)
Property, plant and equipment, intangibles and other *[notes 8,9,10 & 15]*	**(873)**	(778)
Operating income from continuing operations	**1,134**	1,134
Amortization of financing costs – long-term debt *[note 13]*	**(5)**	(4)
Interest expense *[notes 13 and 24]*	**(301)**	(283)
Business acquisition costs *[note 3]*	**(21)**	(6)
Equity income (loss) of an associate or joint venture *[note 7]*	**(61)**	(56)
Gain on sale of wireless spectrum licenses *[note 3]*	**–**	158
Impairment of goodwill *[note 10]*	**(17)**	(15)
Other losses *[note 22]*	**(102)**	(44)
Income from continuing operations before income taxes	**627**	884
Current income tax expense *[note 23]*	**247**	288
Deferred income tax recovery *[note 23]*	**(76)**	(70)
Net income from continuing operations	**456**	666
Income from discontinued operations, net of tax *[note 3]*	**784**	214
Net income	**1,240**	880
Net income from continuing operations attributable to:		
Equity shareholders	**456**	666
Income (loss) from discontinued operations attributable to:		
Equity shareholders	**764**	190
Non-controlling interests in subsidiaries held for sale	**20**	24
	784	214
Basic earnings per share *[note 18]*		
Continuing operations	**0.92**	1.40
Discontinued operations	**1.59**	0.40
	2.51	1.80
Diluted earnings per share *[note 18]*		
Continuing operations	**0.92**	1.39
Discontinued operations	**1.59**	0.40
	2.51	1.79

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Comprehensive Income

Years ended August 31 [millions of Canadian dollars]	2016 $	2015 $
Net income	**1,240**	880
Other comprehensive income (loss) *[note 20]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	6
Adjustment for hedged items recognized in the period	**–**	(6)
Unrealized loss on available-for-sale investment	**–**	(3)
Reclassification of loss on available-for-sale investment to income	**4**	–
Share of other comprehensive income of associates	**(5)**	–
Exchange differences on translation of a foreign operation	**(7)**	184
Exchange differences on US denominated debt hedging a foreign operation	**4**	(74)
	(3)	107
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans:		
Continuing operations	**(36)**	1
Discontinued operations	**(8)**	6
	(44)	7
Comprehensive income	**1,193**	994
Comprehensive income attributable to:		
Equity shareholders	**1,173**	970
Non-controlling interests in subsidiaries held for sale	**20**	24
	1,193	994

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Changes in Shareholders' Equity

Year ended August 31, 2016

[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2015	**3,500**	**45**	**1,883**	**(19)**	**5,409**	**237**	**5,646**
Net income	**–**	**–**	**1,220**	**–**	**1,220**	**20**	**1,240**
Other comprehensive loss	**–**	**–**	**–**	**(47)**	**(47)**	**–**	**(47)**
Comprehensive income	**–**	**–**	**1,220**	**(47)**	**1,173**	**20**	**1,193**
Dividends	**–**	**–**	**(396)**	**–**	**(396)**	**–**	**(396)**
Dividend reinvestment plan	**188**	**–**	**(188)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**43**	**(6)**	**–**	**–**	**37**	**–**	**37**
Share-based compensation	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Business acquisition	**68**	**–**	**–**	**–**	**68**	**–**	**68**
Distributions declared by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(12)**	**(12)**
Derecognition/reclass on sale of discontinued operation *[note 3]*	**–**	**–**	**(14)**	**14**	**–**	**(244)**	**(244)**
Balance as at August 31, 2016	**3,799**	**42**	**2,505**	**(52)**	**6,294**	**1**	**6,295**

Year ended August 31, 2015

[millions of Canadian dollars]	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2014	3,182	64	1,589	(133)	4,702	235	4,937
Net income	–	–	856	–	856	24	880
Other comprehensive loss	–	–	–	114	114	–	114
Comprehensive income	–	–	856	114	970	24	994
Dividends	–	–	(396)	–	(396)	–	(396)
Dividend reinvestment plan	166	–	(166)	–	–	–	–
Shares issued under stock option plan	152	(23)	–	–	129	–	129
Share-based compensation	–	4	–	–	4	–	4
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(22)	(22)
Balance as at August 31, 2015	3,500	45	1,883	(19)	5,409	237	5,646

See accompanying notes

Shaw Communications Inc.
Consolidated Statements of Cash Flows

Years ended August 31 [millions of Canadian dollars]	2016 $	2015 $
OPERATING ACTIVITIES		
Funds flow from operations *[note 29]*	**1,483**	1,398
Net change in non-cash balances related to continuing operations	**72**	(106)
Operating activities from discontinued operations	**108**	249
	1,663	1,541
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(1,005)**	(923)
Additions to equipment costs (net) *[note 24]*	**(83)**	(72)
Additions to other intangibles *[note 24]*	**(110)**	(75)
Net decrease (increase) to inventories	**19**	59
Business acquisitions, net of cash acquired *[note 3]*	**(1,778)**	(902)
Proceeds on sale of discontinued operations, net of costs and cash sold	**1,798**	–
Additions to investments and other assets	**(71)**	(125)
Distributions received and proceeds from sale of investments	**6**	29
Proceeds on disposal of property, plant and equipment *[notes 24 and 29]*	**6**	26
Proceeds on sale of wireless spectrum licenses, net of costs *[note 3]*	**–**	99
Investing activities of discontinued operations	**(9)**	(20)
	(1,227)	(1,904)
FINANCING ACTIVITIES		
Increase in long-term debt	**1,910**	921
Debt repayments	**(1,961)**	(508)
Bank credit facility arrangement costs	**(11)**	(14)
Issue of Class B Non-Voting Shares	**38**	129
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(380)**	(369)
Dividends paid on Series A Preferred Shares	**(13)**	(13)
Financing activities of discontinued operations	**(12)**	(23)
	(429)	123
Effect of currency translation on cash balances	**–**	1
Increase (decrease) in cash	**7**	(239)
Cash, beginning of year	**398**	637
Cash of continuing operations, end of year	**405**	398

See accompanying notes

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian communications company whose core operating business is providing: Cable telecommunications and Satellite video services to residential customers ("Consumer"); data networking, Cable telecommunications, Satellite video and fleet tracking services to businesses and public sector entities ("Business Network Services"); data centre colocation, cloud technology and managed IT solutions to businesses ("Business Infrastructure Services"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto and New York Stock Exchanges. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2016 and 2015, were approved by the Board of Directors and authorized for issue on November 28, 2016.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company has classified its approximate 38% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors.

The Company has classified its 50% interest in the Shomi Partnership ("shomi") as an investment in a joint venture after considering the terms and conditions of the partnership agreement.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue and/or customer premise equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from cable, Internet, Digital Phone, DTH and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values. Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Subscriber connection fees received from customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenues earned in connection with the services is applied against the up-front discount provided on the handset. The Company also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time. The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statements of financial position.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and DCTs is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable and telecommunications distribution system	5-20 years
Digital cable terminals and modems	2-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data centre infrastructure	3-21 years
Data processing	3-5 years
Other	3-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted, and are presented net of tax in the consolidated statements of income. Refer to Note 3 for further information regarding the Company's discontinued operations.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iv) long-term receivables, (v) network capacity leases, (vi) the non-current portion of prepaid maintenance and support contracts and (vii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licenses, wireless spectrum licenses, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licenses, wireless spectrum licenses, trademarks and brands represent identifiable assets with indefinite useful lives.

Program rights represent licensed rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from three to ten years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6% (2015 – 6%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, Data centres and Wireless. The Company had an additional cash generating unit, Media, until the sale of the division in April 2016. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) connection fee revenue, initial setup fees and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, (iv) a deposit on a future fibre sale, and (v) amounts received in respect of granting an option to acquire its wireless spectrum licenses.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange loss recognized on the translation and settlement of current monetary assets and liabilities was $1 (2015 – $3) and is included in other losses.

The functional currency of the Company's foreign operations is US dollars. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, are translated into Canadian dollars using the foreign exchange rate at the end of the reporting period. Revenue and expenses are translated using average foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation are included in other comprehensive income/loss and accumulated in equity.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

A net investment hedge of a foreign operation is accounted for similarly to a cash flow hedge. The Company may designate certain US dollar denominated debt as a hedge of its net investment in foreign operations where the US dollar is the functional currency. Unrealized gains and losses arising from translation of the US dollar denominated debt are included in other comprehensive income/loss and accumulated in equity.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective December 31, 2015 and the next actuarial valuations for funding purposes are effective December 31, 2016.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Share appreciation rights ("SARs") issued by a subsidiary to eligible employees are cash settled and measured at fair value using the Black-Scholes option pricing model. The fair value is recognized over the vesting period of the SARs by applying the graded vesting method, adjusting for estimated forfeitures. The obligation for SARs is remeasured at the end of each period up to the date of settlement which requires a reassessment of the estimates used at the end of each reporting period.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iii) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(iv) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or a market approach. Where a DCF analysis is used, significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licenses, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(v) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vi) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(vii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, Data centres and Wireless. The Company had an additional CGU, Media, until the sale of the division in April 2016.

(ii) Broadcast rights and licenses and wireless spectrum licenses – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licenses (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licenses issued by the Department of Innovation, Science and Economic Development (formerly, Industry Canada). While these licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2015 had no impact on the Company's consolidated financial statements.

- amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* outlined in *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* as issued by the IASB in September 2014. These amendments were to be applied prospectively to transactions occurring for annual periods commencing after a date to be determined by the IASB, however earlier application is permitted.

Standards, interpretations and amendments to standards issued but not yet effect

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018, however earlier application is permitted.
- IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded. It may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has been adopted.
- IAS 12 *Income Taxes* was amended in 2016 to clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is required to be applied for annual periods commencing January 1, 2017.
- IAS 7 *Statement of Cash Flows* was amended in 2016 to improve disclosures regarding changes in financing liabilities. It is required to be applied for annual period beginning on or after January 1, 2017.
- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments are to be applied prospectively for the annual period commencing September 1, 2016.

- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The new standard is to be applied either retrospectively or on a modified retrospective basis and is effective for the annual period commencing September 1, 2018.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing September 1, 2018.

3. BUSINESS ACQUISITIONS, ASSET DISPOSITIONS AND ASSET HELD FOR SALE

Business acquisitions

Mid-Bowline Group Corp. (and its wholly owned subsidiary, WIND Mobile Corp.)

On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary WIND Mobile Corp. (collectively, "WIND") for enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company's credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares. The acquisition of WIND is a significant step in the Company's drive for growth and positions the Company to be a leading pure-play provider of connectivity that is focused on delivering consumer and business communications supported by best-in-class wireline, WiFi, wireless and data infrastructure.

The operating results of WIND are included in the Company's consolidated financial statements from the date of acquisition. WIND contributed $280 revenue and $11 net income for the period from March 1, 2016 to August 31, 2016. If the acquisition had closed on September 1, 2015, WIND revenue and net income would have approximated $541 and $15, respectively. In connection with the transaction, the Company incurred $20 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The fair value of purchase consideration consisted of $1,588 in cash and $68 in shares issued in connection with the acquisition. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash	35
Accounts receivable(1)	12
Inventories	24
Other current assets	58
Property, plant and equipment	277
Other long term assets	19
Intangibles(2)	1,560
Goodwill, not deductible for tax(3)	65
	2,050
Accounts payable and accrued liabilities	110
Unearned revenue	9
Current debt(4)	3
Long-term debt(4)	2
Provisions	43
Deferred income taxes	227
	1,656

(1) Accounts receivable consist of $23 gross contractual amounts receivable from customers less $11 not expected to be collected.

(2) Intangibles include wireless spectrum licenses, subscriber relationships and software assets.

(3) Goodwill comprises the value of growth opportunities created through the combination of businesses and networks, a strong management team and an assembled workforce.

(4) Current and long-term debt is comprised of finance lease obligations in respect of certain equipment.

INetU, Inc.

On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU, Inc. ("INetU") for US$162 which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility. INetU is a solutions provider of public, private and hybrid cloud environments in addition to offering managed security and compliance services. The acquisition of INetU allows ViaWest to add new services to its cloud and managed offerings, and to expand its geographical footprint with eastern U.S. and European cloud locations.

INetU contributed $32 revenue and $14 net income for the period from December 15, 2015 to August 31, 2016. If the acquisition had closed on September 1, 2015, revenue and net income would have been approximately $46 and $18, respectively.

In connection with the transaction, the Company incurred $1 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The purchase consideration consisted of $223 in cash. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	–
Receivables	4
Other current assets	1
Property and equipment	25
Intangibles[1]	68
Goodwill, not deductible for tax[2]	166
	264
Current liabilities	7
Deferred income taxes	34
	223

(1) Intangibles include customer relationships and software assets.

(2) Goodwill comprises the value of growth opportunities created through the combination of businesses, a strong management team and an assembled workforce. Goodwill decreased $8 at August 31, 2016 due to translation using the period end foreign exchange rate.

ViaWest, Inc ("ViaWest")

On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest for an enterprise value of US $1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US $330 on the Company's credit facility. The ViaWest acquisition provides the Company with a growth platform in the North American data centre sector and is another step in expanding technology offerings for mid-market enterprises in Western Canada. The operating results of ViaWest are included in the Company's consolidated financial statements from the date of acquisition.

In connection with the transaction, the Company incurred $4 of acquisition related costs in fiscal 2014 for professional fees paid to lawyers, consultants and advisors. During fiscal 2015, the Company incurred additional acquisition related costs of $6.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The purchase consideration consisted of $898 of cash and issuance of share-based awards of $8. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	5
Receivables	10
Other current assets	5
Property and equipment	311
Other long-term assets	2
Intangibles[1]	404
Goodwill, not deductible for tax[2]	674
	1,411
Current liabilities	16
Current debt[3]	7
Deferred income taxes	76
Long-term debt[3]	406
	906

(1) Intangibles include a trade name, customer relationships and software assets.

(2) Goodwill comprises the value of upside and expansion potential due to industry growth expectations and demand for data centre services as well as a strong management team and an assembled workforce.

(3) Current and long-term debt is comprised of amounts that were outstanding under ViaWest's credit facility, finance lease obligations in respect of certain equipment and amounts owing to landlords in respect of financing leasehold improvements.

Other

Effective October 31, 2015, the Company acquired the assets of a small cable system serving approximately 1,300 video subscribers in British Columbia. The cash consideration of $2 has been allocated to property, plant and equipment and broadcast rights.

Effective June 30, 2015, ViaWest acquired 100% of the shares of AppliedTrust Engineering, Inc. ("AppliedTrust"), a provider of security, compliance, DevOps and infrastructure consulting services to a wide range of clients. AppliedTrust's capabilities augment the ViaWest platform with fast enablement of secure hybrid services including IT assessment, migration, compliance consulting, cloud readiness and deeper application support. The purchase consideration consisted of $9 in cash and contingent consideration of $2.

A summary of net assets and preliminary allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Receivables	1
Goodwill, not deductible for tax[1]	10
	11

(1) Goodwill comprises the estimated economic value of providing enhanced professional services offerings, growth expectations as well as an assembled workforce with deep expertise in risk management and compliance consulting services.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Asset dispositions

Sale of Shaw Media Inc. to Corus

In the second quarter of fiscal 2016, the Company announced it entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. ("Shaw Media") for a purchase price of approximately $2.65 billion comprised of $1.85 billion of cash and 71,364,853 Corus Class B non-voting participating shares.

Although, through holding of the shares in Corus, the Company will effectively retain an indirect, non-controlling interest in the Media division subsequent to the sale, the Company will no longer have control over the division. Accordingly, the assets and liabilities, operating results and operating cash flows for the previously reported Media segment are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has been reclassified to present the Media division as a discontinued operation.

The transaction closed on April 1, 2016, but remains subject to customary closing adjustments. The Company recognized a gain on the divestiture within income from discontinued operations as follows:

	$
Proceeds on disposal, net of transaction costs of $22	**2,645**
Non-controlling interest in disposed net assets	**244**
Net assets disposed	**(2,217)**
	672
Income taxes	**47**
Gain on divestiture, net of tax	**625**

In connection with the disposal, remeasurements of employee benefit plans related to discontinued operations of $14 were transferred within equity from accumulated other comprehensive income to retained earnings.

The assets and liabilities disposed of were as follows:

	$
Cash	**13**
Accounts receivable	**234**
Other current assets	**34**
Property, plant and equipment	**106**
Intangibles	**1,696**
Goodwill	**538**
	2,621
Accounts payable and accrued liabilities	**173**
Provisions	**12**
Income taxes payable	**23**
Unearned revenue	**4**
Other long-term liabilities	**46**
Deferred income tax liabilities	**146**
	404

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2016 and 2015

[all amounts in millions of Canadian dollars except share and per share amounts]

A reconciliation of the major classes of line items constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is as follows:

	2016 $	2015 $
Revenue	**610**	1,080
Eliminations[(1)]	**(46)**	(78)
	564	1,002
Operating, general and administrative expenses		
Employee salaries and benefits	**109**	180
Purchases of goods and services[(2)]	**272**	558
	381	738
Eliminations[(1)]	**(46)**	(78)
	335	660
Restructuring costs	**–**	13
Amortization[(2)]	**11**	30
Accretion of long-term liabilities and provisions	**2**	4
Other losses	**–**	5
Income from discontinued operations before tax and gain on divestiture	**216**	290
Income taxes	**57**	76
Income from discontinued operations before gain on divestiture	**159**	214
Gain on divestiture, net of tax	**625**	–
Income from discontinued operations, net of tax	**784**	214

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

(2) As of the date the Media division met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year amounted to $35 for program rights $6 for property, plant and equipment, intangibles and other.

Sale of wireless spectrum licenses to Rogers Communications Inc. ("Rogers")

During 2013, the Company granted Rogers an option to acquire its wireless spectrum licenses. The exercise of the option and the sale of the wireless spectrum licenses were subject to various regulatory approvals and therefore, the licenses were not classified as assets held for sale. The regulatory reviews concluded during 2015 at which time the transfer was completed. The Company had previously received $50 in respect of the purchase price of the option to acquire the wireless spectrum licenses and a $200 deposit in respect of the option exercise price. The Company received an additional $100 when the transaction completed and recorded a gain of $158.

Asset held for sale

A real estate property was classified as held for sale in the statement of financial position at August 31, 2015 and measured at estimated fair value less costs to sell. At August 31, 2015, the property's fair value was based on the sale which closed in the current year.

[all amounts in millions of Canadian dollars except share and per share amounts]

4. ACCOUNTS RECEIVABLE

	2016 $	2015 $
Subscriber and trade receivables	**300**	473
Due from related parties *[note 27]*	**2**	4
Miscellaneous receivables	**8**	17
	310	494
Less allowance for doubtful accounts	**(42)**	(26)
	268	468

Included in operating, general and administrative expenses is a provision for doubtful accounts of $28 (2015 –$29).

5. INVENTORIES

	2016 $	2015 $
Subscriber equipment	**59**	54
Other	**6**	6
	65	60

Subscriber equipment includes DTH equipment, DCTs and related customer premise equipment as well as wireless handsets.

6. OTHER CURRENT ASSETS

	2016 $	2015 $
Program rights	**–**	15
Tax indemnity	**–**	1
Prepaid expenses and other	**138**	62
	138	78

7. INVESTMENTS AND OTHER ASSETS

	2016 $	2015 $
Publicly traded companies	**817**	4
Investments in private entities	**36**	49
Investment in a joint venture	**–**	44
	853	97

During 2016, the Company recorded an unrealized loss of $nil (2015 – $3) in respect of its investment in a publicly traded company (see note 20). The cumulative loss of $5 was realized upon sale of the investment during the year.

The Company has a portfolio of minor investments in various private entities.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Corus

In connection with the sale of the Shaw Media to Corus, the Company received 71,364,853 Corus Class B non-voting participating shares representing approximately 37% of Corus' total issued equity of Class A and Class B shares. Although the Class B Corus shares do not have voting rights, the Company is considered to have significant influence due to Board representation.

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. The company's portfolio of multimedia offerings encompasses 45 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

The Company participates in Corus' dividend reinvestment program for its initial investment in Corus Class B Shares. For the year ended August 31, 2016, the Company received dividends of $34 from Corus that were reinvested through the program into additional Corus Class B shares. At August 31, 2016, the Company owned 74,135,891 Corus Class B shares having a fair value of $911 and representing 38% of the total issued equity of Corus. The Company's weighted average ownership of Corus for the period from April 1 to August 31, 2016 was 37%.

Summary financial information for Corus at August 31, 2016 and for the year then ended is as follows:

	$
Current assets	470
Non-current assets	5,623
Current liabilities	(532)
Non-current liabilities	(3,085)
Net assets	2,476
Less: non-controlling interests	(158)
	2,318
Carrying amount of the investment	817
Revenue	1,171
Net income (loss) attributable to:	
Shareholders	126
Non-controlling interest	18
	144
Other comprehensive income (loss), attributable to shareholders	(15)
Comprehensive income	129
Equity income (loss) from associates[1]	(10)
Other comprehensive income (loss) from equity accounted associates[1]	(5)
	(15)

(1) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders from April 1, 2016.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Shomi Partnership

The Company has a 50% joint control interest in Shomi Partnership ("shomi"), which is a subscription video-on-demand service that launched in November 2014. The Company's interest in shomi is accounted for using the equity method. Summarized financial information is as follows:

	2016 $	2015 $
Current assets	**25**	28
Non-current assets	**105**	132
Current liabilities	**(48)**	(54)
Non-current liabilities	**(5)**	(16)
Partnership net assets	**77**	90
Carrying amount of the investment(1)	**–**	44

	2016 $	2015 (ten months) $
Revenue	**46**	18
Expenses	**182**	128
Partnership net loss	**136**	110
Equity loss in the partnership(1)	**52**	56

(1) The Company's carrying amount the investment and equity loss does not equal 50% of the partnership's net assets and net loss due to elimination of unrealized profit on downstream transactions between the Company and shomi and the write-down of the carrying amount of the investment during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2016			August 31, 2015		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**5,480**	**2,673**	**2,807**	4,984	2,506	2,478
Digital cable terminals and modems	**803**	**456**	**347**	808	447	361
Satellite audio, video and data network and DTH receiving equipment	**125**	**63**	**62**	174	96	78
Transmitters, broadcasting, communications and production equipment	**–**	**–**	**–**	109	62	47
Land and buildings	**579**	**186**	**393**	625	207	418
Data centre infrastructure, data processing and other	**966**	**344**	**622**	860	270	590
Assets under construction	**376**	**–**	**376**	248	–	248
	8,329	**3,722**	**4,607**	7,808	3,588	4,220

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Changes in the net carrying amounts of property, plant and equipment for 2016 and 2015 are summarized as follows:

	August 31, 2015								August 31, 2016
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,478	491	49	208	(417)	(2)	–	–	2,807
Digital cable terminals and modems	361	188	–	–	(202)	–	–	–	347
Satellite audio, video and data network and DTH receiving equipment	78	4	–	–	(20)	–	–	–	62
Transmitters, broadcasting, communications and production equipment	47	2	–	–	(7)	–	(42)	–	–
Land and buildings	418	14	35	4	(25)	(6)	(47)	–	393
Data centre infrastructure, data processing and other	590	78	64	44	(134)	(1)	(17)	(2)	622
Assets under construction	248	230	(148)	47	–	–	–	(1)	376
	4,220	1,007	–	303	(805)	(9)	(106)	(3)	4,607

	August 31, 2014							August 31, 2015
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,351	472	12	–	(354)	(3)	–	2,478
Digital cable terminals and modems	350	205	–	–	(194)	–	–	361
Satellite audio, video and data network and DTH receiving equipment	103	–	–	–	(25)	–	–	78
Transmitters, broadcasting, communications and production equipment	54	8	–	–	(15)	–	–	47
Land and buildings	260	7	110	54	(26)	–	13	418
Data centre infrastructure, data processing and other	227	107	93	256	(125)	(19)	51	590
Assets under construction	307	188	(215)	1	–	(33)	–	248
	3,652	987	–	311	(739)	(55)	64	4,220

In 2016, the Company recognized a loss of $4 (2015 – gain of $6) on the disposal of property, plant and equipment.

[all amounts in millions of Canadian dollars except share and per share amounts]

9. OTHER LONG-TERM ASSETS

	2016 $	2015 $
Equipment costs subject to a deferred revenue arrangement	**225**	225
Customer equipment financing receivables	**6**	8
Credit facility arrangement fees	**4**	3
Other	**40**	23
	275	259

Amortization provided in the accounts for 2016 amounted to $161 (2015 – $165) and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	2016 $	2015 $
Broadcast rights and licenses		
Cable systems	**4,016**	4,015
DTH and satellite services	**1,013**	1,013
Television broadcasting	**–**	1,313
	5,029	6,341
Program rights and advances	**–**	280
Goodwill		
Non-regulated satellite services	**56**	73
Cable and telecommunications systems	**73**	73
Television broadcasting	**–**	537
Data centre services	**978**	823
Wireless	**65**	–
	1,172	1,506
Wireless spectrum licenses	**1,517**	–
Other intangibles		
Software	**329**	275
Customer relationships	**522**	472
Trademark and brands	**53**	91
	2,421	838
Net book value	**8,622**	8,965

Broadcast rights and licenses, trademark, brands and wireless spectrum licenses have been assessed as having indefinite useful lives. While licenses must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licenses $	Trademark and brands $	Goodwill $	Wireless spectrum licenses $
September 1, 2014	6,341	38	698	191
Business acquisition	–	44	684	–
Disposition	–	–	–	(191)
Write-down	–	–	(15)	–
Foreign currency translation	–	9	139	–
August 31, 2015	**6,341**	**91**	**1,506**	**–**
Business acquisitions *[note 3]*	**1**	**–**	**231**	**1,517**
Disposition *[note 3]*	**(1,313)**	**(38)**	**(538)**	**–**
Write-down	**–**	**–**	**(17)**	**–**
Foreign currency translation	**–**	**–**	**(10)**	**–**
August 31, 2016	**5,029**	**53**	**1,172**	**1,517**

Intangibles subject to amortization are as follows:

	August 31, 2016			August 31, 2015		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Program rights and advances	**–**	**–**	**–**	671	376	295
Software	**246**	**128**	**118**	241	150	91
Software under construction	**211**	**–**	**211**	184	–	184
Customer relationships	**602**	**80**	**522**	514	42	472
	1,059	**208**	**851**	1,610	568	1,042
Less current portion of program rights			**–**			15
			851			1,027

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2014	310	88	168	79	645
Additions	390	43	37	–	470
Transfers	–	3	(3)	–	–
Business acquisition	–	5	–	355	360
Amortization	(405)	(49)	–	(32)	(486)
Write-down	–	–	(18)	–	(18)
Foreign currency translation	–	1	–	70	71
August 31, 2015	295	91	184	472	1,042
Additions	226	69	40	–	335
Transfers	–	2	(2)	–	–
Business acquisition *[note 3]*	–	17	–	94	111
Disposition *[note 3]*	(339)	(13)	–	–	(352)
Amortization	(182)	(48)	–	(39)	(269)
Write-down	–	–	(11)	–	(11)
Foreign currency translation	–	–	–	(5)	(5)
August 31, 2016	–	118	211	522	851

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2016 and as a result, an impairment charge of $17 was recorded with respect to goodwill associated with the Tracking operations in the Satellite cash generating unit. The Company estimated the recoverable amount using a discounted cash flow analysis based on the most recent estimates of future operating results which are reflective of long-term pressures as customers migrate from satellite based tracking to wireless tracking. The recoverable amount of the other cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licenses for the Cable cash generating unit as at March 1, 2016 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licenses for the Satellite cash generating unit as at March 1, 2016 would result in an impairment loss of approximately $25.

The data centres cash generating unit was created with the acquisition of ViaWest. A hypothetical decline of 10% in the recoverable amount of the data centre cash generating unit as at March 1, 2016 would result in an impairment loss and is reflective of the Company acquiring ViaWest at fair value on September 2, 2014. A 1% increase in the discount rate or 1% decrease in the terminal growth rate would cause the carrying amount of the data centres CGU to exceed its recoverable amount by approximately $300 and $250, respectively. In order for the CGU's recoverable amount to be equal to the carrying amount and holding all other assumptions constant, the discount rate would have to be 8.6% or terminal growth rate would have to be 6.2%. These sensitivities are indicative only and should be considered with caution, as the effect of the variation in each assumption on the estimated recoverable amount is calculated in isolation without changing any other assumptions. The extent of any such impairment loss would be determined after incorporating any consequential effects of that change on estimated operating income before restructuring costs and amortization and on other factors.

The wireless cash generating unit was created with the acquisition of WIND. A hypothetical decline of 10% in the recoverable amount of the wireless generating unit as at March 1, 2016 would result in an impairment loss and is reflective of the Company acquiring WIND at fair value on March 1, 2016.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Any changes in economic conditions since the impairment testing conducted as at March 1, 2016 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2016.

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2016, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	8.0%	1.5%	6.5X
Satellite	8.5%	0.0%	5.5X
Data centres	8.5%	6.3%	11.0X
Wireless	9.1%	3.0%	8.5X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	8.0%	5.0%	3.0%
Satellite	7.0%	n/a	3.0%
Data centres	19.0%	16.0%	2.0%
Wireless	9.0%	8.0%	3.0%

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 $	2015 $
Trade	**107**	81
Program rights	**9**	79
CRTC benefit obligations	**–**	28
Accrued liabilities	**442**	339
Accrued network fees	**131**	109
Interest and dividends	**228**	229
Related parties *[note 27]*	**27**	22
	944	887

[all amounts in millions of Canadian dollars except share and per share amounts]

12. PROVISIONS

	Asset retirement obligations $	Restructuring[1] $	Other $	Total $
September 1, 2014	9	13	31	53
Additions	1	52	11	64
Reversal	–	–	(6)	(6)
Payments	–	(48)	(1)	(49)
August 31, 2015	10	17	35	62
Business acquisition	**43**	**–**	**–**	**43**
Divestiture	**(10)**	**–**	**(2)**	**(12)**
Additions	**3**	**25**	**23**	**51**
Reversal	**–**	**(3)**	**(2)**	**(5)**
Payments	**–**	**(35)**	**(18)**	**(53)**
August 31, 2016	**46**	**4**	**36**	**86**
Current	–	17	35	52
Long-term	10	–	–	10
August 31, 2015	10	17	35	62
Current	**–**	**4**	**29**	**33**
Long-term	**46**	**–**	**7**	**53**
August 31, 2016	**46**	**4**	**36**	**86**

(1) During 2015, the Company announced a realignment of its customer care operations in the Consumer division into centres of excellence to enhance customer service, and continued its organizational structure realignment efforts including further restructuring of certain functions within its Business Network Services division. In addition, the media division undertook organizational changes as it redefined itself from a traditional broadcaster to the broader focus of a media organization. Approximately 1,700 employees were affected by the restructurings in 2015. During 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of WIND and divestiture of Shaw Media. Approximately 200 employees were affected by the 2016 restructuring. Restructuring amounts are primarily in respect of severance and employee related costs. The majority of remaining costs at August 31, 2016 are expected to be paid within the next six months.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

13. LONG-TERM DEBT

		2016			2015		
	Effective interest rates %	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $
Corporate							
Bank loans	Variable	**498**	**–**	**498**	434	–	434
Cdn fixed rate senior notes-							
6.15% due May 9, 2016	6.34	**–**	**–**	**–**	299	1	300
5.70% due March 2, 2017	5.72	**400**	**–**	**400**	399	1	400
5.65% due October 1, 2019	5.69	**1,246**	**4**	**1,250**	1,245	5	1,250
5.50% due December 7, 2020	5.55	**498**	**2**	**500**	497	3	500
3.15% due February 19, 2021	3.17	**298**	**2**	**300**			
4.35% due January 31, 2024	4.35	**497**	**3**	**500**	497	3	500
6.75% due November 9, 2039	6.89	**1,418**	**32**	**1,450**	1,418	32	1,450
		4,855	**43**	**4,898**	4,789	45	4,834
Cdn variable rate senior notes- Due February 1, 2016		**–**	**–**	**–**	300	–	300
		4,855	**43**	**4,898**	5,089	45	5,134
Other							
ViaWest – credit facility	Variable	**682**	**13**	**695**	506	12	518
ViaWest – other	Various	**31**	**–**	**31**	34	–	34
WIND – other	Various	**4**	**–**	**4**			
Burrard Landing Lot 2 Holdings Partnership	4.68	**40**	**–**	**40**	40	–	40
Total consolidated debt		**5,612**	**56**	**5,668**	5,669	57	5,726
Less current portion		**412**	**–**	**412**	608	1	609
		5,200	**56**	**5,256**	5,061	56	5,117

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2014, the Company amended the terms of the facility to extend the maturity date from January 2017 to December 2019. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility. Funds are available to the Company in both Canadian and US dollars. At August 31, 2016, $4 (2015 – $1) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2016 was 2.04% (2015 – 1.57%). The effective interest rate on the revolving term facility for 2016 was 3.11% (2015 – 3.24%).

In connection to the acquisition of WIND, the Company entered into $1.0 billion non-revolving credit facility with a syndicate of lenders (the "WIND Facility") during 2016. The full amount of the WIND Facility was drawn to fund the acquisition of WIND, along with $300 million drawn on the Company's existing credit facility. These amounts were repaid during the year using the cash proceeds received from the Shaw Media disposition. The effective interest rate on borrowings under the WIND Facility during 2016 was 2.56%.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On February 19, 2016, the Company issued $300 senior notes at a rate of 3.15% due February 19, 2021.

Other

ViaWest

During 2015, ViaWest's credit facility which was assumed on acquisition was repaid with proceeds from a new credit facility. ViaWest's prior credit facility was scheduled to mature in May 2017 and was secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement. On September 2, 2014, ViaWest's credit facility consisted of a term loan of US $322 and US $28 of borrowings under a US $40 revolving facility. The term loan had quarterly principal repayments of US $1 with the balance due on maturity. Interest rates fluctuated with LIBOR, US prime, US Federal Funds and Eurodollar rates. ViaWest had a US $130 interest rate swap which hedged the exposure to changes in cash flows and minimized variability related to its prior credit facility. The interest rate swap terminated in June 2015. The new facility consisted of a term loan in the amount of US $395 and a revolving credit facility of US $85. Commencing August 2015, the term loan has quarterly principal repayments of US $1 with the balance due on maturity in March 2022 while the revolving credit facility matures in March 2020. During 2016, ViaWest entered into an incremental US $80 term loan and increased the borrowing capacity available on the revolving facility by US $35. The incremental term loan has quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuate with LIBOR, US prime and US Federal Funds rates and the facilities are secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement.

Finance lease obligations and amounts owing to landlords in connection with financing of leasehold improvements expire and mature at various dates through to 2023. Collateral has been provided as security for the related transactions and agreements as required. The effective interest rates on the obligations range from 5.36% to 9.39%.

WIND

Finance lease obligations and amounts owing in connection with financing of certain computer equipment and services mature at various dates through to 2018.

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2016.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2017	412
2018	12
2019	11
2020	1,839
2021	812
Thereafter	2,582
	5,668

Interest expense

	2016 $	2015 $
Interest expense – long-term debt	**309**	299
Amortization of senior notes discounts	**2**	2
Interest income – short-term (net)	**(2)**	(2)
Capitalized interest	**(8)**	(16)
	301	283

14. OTHER LONG-TERM LIABILITIES

	2016 $	2015 $
Pension liabilities *[note 26]*	**125**	119
CRTC benefit obligations	**–**	23
Post retirement liabilities *[note 26]*	**4**	22
Share-based awards	**2**	11
Program rights liabilities	**–**	5
Other	**4**	6
	135	186

15. DEFERRED CREDITS

	2016 $	2015 $
IRU prepayments	**436**	449
Equipment revenue	**90**	111
Connection fee and installation revenue	**31**	24
Deposit on future fibre sale	**2**	2
Other	**4**	2
	563	588

[all amounts in millions of Canadian dollars except share and per share amounts]

Amortization of deferred credits for 2016 amounted to $92 (2015 – $100) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2016 amounted to $13 (2015 – $12) and was recorded as other amortization. Amortization of equipment revenue for 2016 amounted to $67 (2015 – $78). Amortization of connection fee and installation revenue for 2016 amounted to $12 (2015 – $10) and was recorded as revenue.

16. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2016	2015		2016	2015
Number of securities			$	$
22,420,064	22,420,064	Class A Shares	**2**	2
463,827,512	451,471,562	Class B Non-Voting Shares	**3,504**	3,205
10,012,393	12,000,000	Series A Preferred Shares	**245**	293
1,987,607	–	Series B Preferred Shares	**48**	–
498,247,576	485,891,626		**3,799**	3,500

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2016 and 2015 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2014	22,420,064	2	439,606,326	2,887
Stock option exercises	–	–	5,871,621	152
Dividend reinvestment plan	–	–	5,993,615	166
August 31, 2015	22,420,064	2	451,471,562	3,205
Stock option exercises	**–**	**–**	**1,827,108**	**43**
Business acquisition			**2,866,384**	**68**
Dividend reinvestment plan	**–**	**–**	**7,662,458**	**188**
August 31, 2016	**22,420,064**	**2**	**463,827,512**	**3,504**

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Series A and B Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") and Cumulative Redeemable Floating Rate Preferred Shares, Series B ("Series B Preferred Shares") represent series of Class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a license to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

17. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2016 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2016, 32,459,639 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2016		2015	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**12,538,664**	**23.70**	16,477,563	22.34
Granted	**2,758,000**	**23.93**	2,911,250	28.29
Forfeited	**(2,116,420)**	**26.17**	(978,528)	25.12
Exercised[(1)]	**(1,827,108)**	**21.15**	(5,871,621)	21.94
Outstanding, end of year	**11,353,136**	**23.70**	12,538,664	23.70

(1) The weighted average Class B Non-Voting Share price for the options exercised was $25.22.

The following table summarizes information about the options outstanding at August 31, 2016:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$16.71 – $23.19	3,929,586	4.14	20.54	3,312,836	20.14
$23.20 – $24.55	3,987,050	4.59	24.20	2,289,050	24.44
$24.56 – $30.87	3,436,500	7.06	26.75	1,395,750	26.32

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2016 was $1.47 (2015 – $2.85) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2016	2015
Dividend yield	**4.93%**	3.96%
Risk-free interest rate	**0.75%**	1.41%
Expected life of options	**5 years**	6 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**17.8%**	19.1%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2016, $3 was recognized as compensation expense (2015 – $2). The carrying value and intrinsic value of DSUs at August 31, 2016 was $18 and $15, respectively (August 31, 2015 – $15 and $13, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions.

During 2016, $6 was recorded as compensation expense (2015 – $6).

Share appreciation rights

A subsidiary of the Company grants SARs to eligible employees of ViaWest. A SAR entitles the holder to the appreciation in value of one share of ViaWest over the exercise price over a period of time. SARs granted to ViaWest employees post-acquisition vest 25% per year over four years, have a 10 year contractual term and are cash settled. During 2016, $7 was recognized as compensation expense (2015 – $4). The carrying value of SARs liabilities, including the SARs granted as partial consideration for the acquisition of ViaWest (see note 3), at August 31, 2016 was $21 (2015 – $13).

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2016	2015
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**456**	666
Deduct: dividends on Preferred Shares	**(13)**	(14)
Net income attributable to common shareholders from continuing operations	**443**	652
Net income from discontinued operations	**784**	214
Deduct: net income from discontinued operations attributable to non-controlling interests	**(20)**	(24)
Net income from discontinued operations attributable to common shareholders	**764**	190
Net income attributable to common shareholders	**1,207**	842
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**480**	468
Effect of dilutive securities(1)	**1**	3
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**481**	471
Basic earnings per share ($)		
Continuing operations	**0.92**	1.40
Discontinued operations	**1.59**	0.40
Attributable to common shareholders	**2.51**	1.80
Diluted earnings per share ($)		
Continuing operations	**0.92**	1.39
Discontinued operations	**1.59**	0.40
Attributable to common shareholders	**2.51**	1.79

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2016, 1,613,077 options were excluded from the diluted earnings per share calculation (2015 – 2,548,433).

19. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus

[all amounts in millions of Canadian dollars except share and per share amounts]

2.00%. Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Series B Preferred Shares, subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. Holders of Series B Preferred Shares are entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares was set at an annual dividend rate of 2.539% for the initial period from June 30, 2016 to September 30, 2016. The floating quarterly dividend rate for the Series B Preferred Shares was set at an annual dividend rate of 2.512% for the period from September 30, 2016 to December 31, 2016.

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2016 and 2015 are as follows:

2016		2015	
Class A Voting Share	**Class B Non-Voting Share**	**Class A Voting Share**	**Class B Non-Voting Share**
1.1825	1.1850	1.1613	1.1638

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2016 and 2015 are as follows:

2016		2015	
Series A Preferred Share	**Series B Preferred Share**	**Series A Preferred Share**	**Series B Preferred Share**
1.0538	0.1067	1.1250	–

On June 29, 2016, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.15869 per Series B Preferred Share which were paid on September 30, 2016. The total amount paid was $2 of which $1 was not recognized as at August 31, 2016.

On November 2, 2016, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 29, 2016, January 30, 2017 and February 27, 2017 to shareholders of record at the close of business on December 15, 2016, January 13, 2017 and February 15, 2017, respectively.

On November 2, 2016, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.157 per Series B Preferred Share payable on January 3, 2017 to holders of record at the close of business on December 15, 2016.

Shaw Communications Inc.

Notes to the Consolidated Financial Statements

August 31, 2016 and 2015

[all amounts in millions of Canadian dollars except share and per share amounts]

20. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2016 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	**(1)**	**1**
Reclassification of loss on available-for-sale investment to income	**4**	**–**	**4**
Share of other comprehensive income of associates	**(5)**	**–**	**(5)**
Exchange differences on translation of a foreign operation	**(7)**	**–**	**(7)**
Exchange differences on translation of US denominated debt hedging a foreign operation	**4**	**–**	**4**
	(2)	**(1)**	**(3)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(49)**	**13**	**(36)**
Remeasurements on employee benefit plans – Discontinued operations	**(11)**	**3**	**(8)**
	(62)	**15**	**(47)**

Components of other comprehensive loss and the related income tax effects for 2015 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	8	(2)	6
Adjustment for hedged items recognized in the period	(8)	2	(6)
Unrealized loss on available-for-sale investment	(3)	–	(3)
Exchange differences on translation of a foreign operation	184	–	184
Exchange differences on translation of US denominated debt hedging a foreign operation	(74)	–	(74)
	107	–	107
Items that will not be subsequently be reclassified to income			
Remeasurements on employee benefit plans	(1)	2	1
Remeasurements on employee benefit plans – Discontinued operations	8	(2)	6
	114	–	114

Accumulated other comprehensive loss is comprised of the following:

	2016 $	2015 $
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	–
Share of other comprehensive income of associates	**(5)**	–
Unrealized loss on available-for-sale investment	**–**	(5)
Foreign currency translation adjustments	**108**	110
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(156)**	(119)
Discontinued operations	**–**	(5)
	(52)	(19)

[all amounts in millions of Canadian dollars except share and per share amounts]

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2016 $	2015 $
Employee salaries and benefits	**866**	793
Purchases of goods and services	**1,927**	1,695
	2,793	2,488

22. OTHER LOSSES

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a write-down of $54 in respect of the Company's investment in shomi, a write-down of $20 in respect of a private portfolio investment and asset write-downs of $16. In the comparative year, the category included a write-down of $6 in respect of a property held for sale, distributions of $27 from a venture capital fund investment, a write-down of $27 in respect of a private portfolio investment, additional proceeds of $15 related to the fiscal 2012 Shaw Court insurance claim and asset write-downs of $55.

23. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2016 $	2015 $
Deferred tax assets	**6**	14
Deferred tax liabilities	**(1,174)**	(1,135)
Net deferred tax liability	**(1,168)**	(1,121)

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licenses, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at September 1, 2014	(177)	(818)	(160)	6	70	(1,079)
Recognized in statement of income	(24)	(21)	107	36	(28)	70
Recognized in discontinued operations	(1)	–	–	(2)	(5)	(8)
Recognized on ViaWest business acquisition	(9)	(142)	–	46	29	(76)
Recognized in other comprehensive income:						
Foreign currency translation adjustments	–	(29)	–	12	1	(16)
Actuarial gains/losses	–	–	–	–	(12)	(12)
Balance at August 31, 2015	(211)	(1,010)	(53)	98	55	(1,121)
Recognized in statement of income	**(17)**	**(8)**	**109**	**(8)**	**–**	**76**
Recognized in discontinued operations	**(2)**	**–**	**–**	**–**	**(14)**	**(16)**
Recognized on business acquisitions	**(33)**	**(262)**	**–**	**29**	**5**	**(261)**
Recognized on Media divestiture	**(20)**	**177**	**–**	**1**	**(12)**	**146**
Recognized in other comprehensive income:						
Foreign currency translation adjustments	**–**	**2**	**–**	**–**	**–**	**2**
Actuarial gains/losses	**–**	**–**	**–**	**–**	**6**	**6**
Balance at August 31, 2016	**(283)**	**(1,101)**	**56**	**120**	**40**	**(1,168)**

The Company has capital loss carryforwards of approximately $63 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $472 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2036.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2016 $	2015 $
Current statutory income tax rate	**26.2%**	25.5%
Income tax expense at current statutory rates	**164**	225
Net increase (decrease) in taxes resulting from:		
Non-taxable portion of capital gains	**–**	(24)
Effect of tax rate changes	**–**	34
Tax benefit of equity loss not recognized	**3**	–
Other	**4**	(17)
Income tax expense	**171**	218

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The statutory income tax rate for the Company increased from 25.5% in 2015 to 26.2% in 2016 as a result of provincial tax rate increases.

The components of income tax expense are as follows:

	2016 $	2015 $
Current income tax expense	**247**	288
Deferred tax recovery related to temporary differences	**(76)**	(104)
Deferred tax expense from tax rate changes	**–**	34
Income tax expense	**171**	218

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Consumer, Business Network Services, Business Infrastructure Services and Wireless. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as restructuring costs and amortization. The Consumer division provides Cable telecommunications services including Video, Internet, WiFi and Digital Phone, and Satellite Video, to Canadian consumers. The Business Network Services segment provides data networking, video, voice and Internet services through a national fibre-optic backbone network and also provides satellite Video services, and fleet tracking services to North American businesses and public sector entities. The Business Infrastructure Services segment was created with the acquisition of ViaWest on September 2, 2014, and provides data centre colocation, cloud and managed services to North American businesses. The Wireless segment was formed by the acquisition of WIND on March 1, 2016, and provides wireless voice and data communications services for customers in Ontario, British Columbia and Alberta with 50MHz of spectrum covering these regions. All of the Company's operations are substantially located in Canada with the exception of ViaWest which is primarily located in the United States.

	2016 $	2015 $
Revenue		
Consumer	**3,752**	3,752
Business Network Services	**548**	520
Business Infrastructure Services	**334**	246
Wireless	**280**	–
	4,914	4,518
Intersegment eliminations	**(30)**	(32)
	4,884	4,486

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

	2016 $	2015 $
Operating income before restructuring costs and amortization		
Consumer	**1,667**	1,686
Business Network Services	**265**	256
Business Infrastructure Services	**123**	95
Wireless	**59**	–
	2,114	2,037
Restructuring costs(1)	**(23)**	(39)
Amortization(1)	**(957)**	(864)
Operating income	**1,134**	1,134
Interest(1)		
Operating	**299**	281
Other/non-operating	**2**	2
	301	283
Current taxes(1)		
Operating	**266**	304
Other/non-operating	**(19)**	(16)
	247	288

[all amounts in millions of Canadian dollars except share and per share amounts]

Capital expenditures

	2016 $	2015 $
Capital expenditures accrual basis		
Consumer and Business Network Services(2)	**826**	870
Business Infrastructure Services	**155**	152
Wireless	**121**	–
	1,102	1,022
Equipment costs (net of revenue)		
Consumer and Business Network Services	**89**	84
Capital expenditures and equipment costs (net)		
Consumer and Business Network Services(2)	**915**	954
Business Infrastructure Services	**155**	152
Wireless	**121**	–
	1,191	1,106
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**1,005**	923
Additions to equipment costs (net)	**83**	72
Additions to other intangibles	**110**	75
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,198**	1,070
Increase (decrease) in working capital and other liabilities related to capital expenditures	**(4)**	53
Decrease in customer equipment financing receivables	**6**	12
Less: Proceeds on disposal of property, plant and equipment	**(6)**	(26)
Less: Satellite equipment profit (2)	**(3)**	(3)
Total capital expenditures and equipment costs (net) reported by segments	**1,191**	1,106

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

(2) The profit from the sale of satellite equipment is subtracted from the calculation of segmented capital expenditures and equipment costs (net) as the Company views the profit on sale as a recovery of expenditures on customer premise equipment

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and license fees for each transponder from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term operating commitments as follows:

	$
2017	310
2018 – 2021	750
Thereafter	323
	1,383

[all amounts in millions of Canadian dollars except share and per share amounts]

Comprised of:	$
Program related agreements	20
Lease of transmission facilities, circuits and premises	705
Lease and maintenance of transponders	565
Other (primarily maintenance and support contracts)	93
	1,383

Included in operating, general and administrative expenses are transponder maintenance expenses of $80 (2015 – $80) and rental expenses of $163 (2015 – $134).

(iii) At August 31, 2016, the Company had capital expenditure commitments in the normal course of business of $151 in respect of fiscal 2017.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2016, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2016, the guarantee instruments amounted to $12. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2017 and fiscal 2018.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $35 (2015 – $38) of which $23 (2015 – $26) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives and had several registered pension plans for certain employees in the media business until the sale of the business in April 2016. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2016 $	2015 $
Unregistered plans		
Accrued benefit obligation	**563**	509
Fair value of plan assets	**438**	391
	125	118
Registered plans		
Accrued benefit obligation	–	173
Fair value of plan assets	–	172
	–	1
Accrued benefit liabilities and deficit	**125**	119

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. The plan was also amended to provide funding of up to 90% of the accrued benefit obligation over a period of six years. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan. Annually the employer is to fund 90% of the accrued benefit obligation.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2016 Total $	SERP $	ERP $	2015 Total $
Accrued benefit obligation, beginning of year	**502**	**7**	**509**	487	6	493
Current service cost	**6**	**3**	**9**	7	2	9
Interest cost	**21**	**–**	**21**	20	–	20
Payment of benefits to employees	**(19)**	**(2)**	**(21)**	(13)	–	(13)
Gain on settlement	**–**	**–**	**–**	–	(1)	(1)
Remeasurements:						
Effect of changes in demographic assumptions	**(5)**	**–**	**(5)**	(11)	–	(11)
Effect of changes in financial assumptions	**46**	**1**	**47**	1	–	1
Effect of experience adjustments	**2**	**1**	**3**	11	–	11
Accrued benefit obligation, end of year	**553**	**10**	**563**	502	7	509
Fair value of plan assets, beginning of year	**387**	**4**	**391**	328	2	330
Employer contributions	**50**	**4**	**54**	55	2	57
Interest income	**17**	**–**	**17**	14	–	14
Payment of benefits	**(19)**	**(2)**	**(21)**	(13)	–	(13)
Return on plan assets, excluding interest income	**(3)**	**–**	**(3)**	3	–	3
Fair value of plan assets, end of year	**432**	**6**	**438**	387	4	391
Accrued benefit liability and plan deficit, end of year	**121**	**4**	**125**	115	3	118

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2016 is 15.6 years and 23.2 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2016 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**237**	**4**
Fixed income securities	**100**	**1**
Equity securities – Canadian	**25**	**–**
Equity securities – Foreign	**70**	**1**
	432	**6**

All fixed income and equity securities have a quoted price in active market.

[all amounts in millions of Canadian dollars except share and per share amounts]

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2016 SERP %	2016 ERP %	2015 SERP %	2015 ERP %
Discount rate	**3.50**	**3.50**	4.10	4.10
Rate of compensation increase	**5.00(1)**	**3.00**	5.00(1)	3.00

Benefit cost for the year	2016 SERP %	2016 ERP %	2015 SERP %	2015 ERP %
Discount rate	**4.10**	**4.10**	4.00	4.00
Rate of compensation increase	**5.00(1)**	**3.00**	5.00(1)	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2016 by $96. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $14.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2016 Total $	SERP $	ERP $	2015 Total $
Current service cost	**6**	**3**	**9**	7	2	9
Interest cost	**21**	**–**	**21**	20	–	20
Interest income	**(17)**	**–**	**(17)**	(14)	–	(14)
Pension expense	**10**	**3**	**13**	13	2	15

Registered pension plans

The Company had a number of funded defined benefit pension plans which provided pension benefits to certain unionized and non-unionized employees in the media business. These plans were divested along with the sale of the Media division in April 2016. Benefits under these plans were based on the employees' length of service and final average salary. These plans were regulated by the Office of the Superintendent of Financial Institutions, Canada in accordance with the provisions of the Pension Benefits Standards Act and Regulations. The regulations set out minimum standards for funding the plans.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2016 $	2015 $
Accrued benefit obligation, beginning of year	**173**	171
Current service cost	**3**	6
Interest cost	**4**	7
Employee contributions	**–**	1
Payment of benefits to employees	**(5)**	(8)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	–
Effect of changes in financial assumptions	**7**	(1)
Effect of experience adjustments	**–**	(3)
Divestiture of Shaw Media	**(182)**	–
Accrued benefit obligation, end of year	**–**	173
Fair value of plan assets, beginning of year	**172**	160
Employer contributions	**6**	10
Employee contributions	**–**	1
Interest income	**4**	7
Payment of benefit	**(5)**	(8)
Administrative expenses paid from plan assets	**(1)**	(1)
Return on plan assets, excluding interest income	**(3)**	3
Divestiture of Shaw Media	**(173)**	–
Fair value of plan assets, end of year	**–**	172
Accrued benefit liability and plan deficit, end of year	**–**	1

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans.

Accrued benefit obligation	2016 %	2015 %
Discount rate	**3.86**	4.10
Rate of compensation increase	**3.00**	3.00

Benefit cost for the year	2016 %	2015 %
Discount rate	**3.86**	4.09
Rate of compensation increase	**3.00**	3.00

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	2016 $	2015 $
Current service cost	**3**	6
Interest cost	**4**	7
Interest income	**(4)**	(7)
Administrative expenses	**1**	1
Pension expense	**4**	7

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and retirees in the media business and are funded on a pay-as-you-go basis. The plans for media retirees were divested along with the sale of the Media division in April 2016. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2016 $	2015 $
Accrued benefit obligation and plan deficit, beginning of year	**22**	18
Current service cost	**–**	2
Interest cost	**1**	1
Payment of benefits to employees	**–**	(1)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	2
Effect of changes in financial assumptions	**1**	(1)
Effect of experience adjustments	**–**	1
Divestiture of Shaw Media	**(20)**	–
Accrued benefit obligation and plan deficit, end of year	**4**	22

The weighted average duration of the benefit obligation at August 31, 2016 is 18.7 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $1 (2015 – $3) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2016 were 4.20% and 3.60%, respectively (2015 – 4.00% and 4.20%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2016 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2017 are $28.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by the Shaw Family Living Trust ("SFLT"). The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Carol Shaw, and four other members of JR Shaw's family. JR Shaw and members of his family are represented as Directors, Senior Executive and Corporate Officers of the Company.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada with the exception of ViaWest, Inc. which is incorporated in the United States.

	Ownership Interest	
	August 31, 2016	**August 31, 2015**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Cablesystems (VCI) Ltd.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Shaw Media Inc.	–	100%
Shaw Television Limited Partnership	–	100%
ViaWest, Inc.	**100%**	100%
WIND Mobile Corp.	**100%**	–

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2016 $	**2015 $**
Short-term employee benefits	**32**	38
Post-employment pension benefits	**3**	15
Retirement benefits	**–**	17
Share-based compensation	**3**	1
	38	71

Transactions

The Company paid $2 (2015 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $8 (2015 – $6) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $14 (2015 – $12) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2016, the Company had $3 owing in respect of these transactions (2015 – $3).

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $118 (2015 – $113), advertising fees of $1 (2015 – $1), programming fees of $1 (2015 – $1), and administrative fees of $1 (2015 – $nil) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $7 (2015 – $1), uplink of television signals for $7 (2015 – $6), Internet services and lease of circuits for $1 (2015 – $1) and programming content of $nil (2015 – $2). At August 31, 2016, the Company had a net of $22 owing in respect of these transactions (2015 – $18).

During 2016, the Company's sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016 (see note 3).

The Company provided Corus with television advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $13 (2015 – $12) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2016, the Company had a remaining commitment of $93 in respect of the office space lease which is included in the amounts disclosed in note 25.

Joint arrangement

During the year, the Company provided programming content and advertising services of $6 (2015 – $18) and paid $11 (2015 – $6) in subscriber fees. At August 31, 2016, the Company had a net receivable of $nil (2015 – $3) in respect of these transactions.

28. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

Shaw Communications Inc.
Notes to the Consolidated Financial Statements
August 31, 2016 and 2015
[all amounts in millions of Canadian dollars except share and per share amounts]

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Other long-term liabilities

The fair value of program rights payable, estimated by discounting future cash flows, approximates their carrying value. The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values an investment in a publicly traded company, long-term debt and a contingent liability are as follows:

	August 31, 2016		August 31, 2015	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Investment in publicly traded company[(1)]	–	–	4	4
Liabilities				
Long-term debt[(2)]	**5,612**	**6,252**	5,669	6,307
Contingent liability[(3)]	**2**	**2**	2	2

(1) Level 1 fair value – determined by quoted market prices.

(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(3) Level 3 fair value – determined by valuation techniques using inputs that are not based on observable market data.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2016, the Company entered into forward contracts to purchase US $12 over a period of 12 months commencing in September 2015 at an average exchange rate of 1.3170 Cdn. At August 31, 2016 the Company had forward contracts to purchase US $112 over a period of 12 months commencing September 2016 at an average exchange rate of 1.2932 Cdn in respect of US dollar commitments.

The Company's net investment in its foreign operation is exposed to market risk attributable to fluctuations in foreign currency exchange rates in respect of changes in the value of the Canadian dollar versus the US dollar. This risk is partially mitigated as a portion of the purchase price of ViaWest was borrowed in US dollars under the Company's credit facility. At August 31, 2016, the investment in ViaWest amounted to US $846. The exchange rate used to convert US dollars into Canadian dollars for the statement of financial position at August 31, 2016 was $1.3116 Cdn. The impact of a 10% change in the exchange rate would change other comprehensive income by $62.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's unsecured banking facility and ViaWest's credit facilities are based on floating rates, while the senior notes are primarily fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2016, 79% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $11 net of tax (2015 – $nil). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates. There is no significant market risk arising from interest rates fluctuating by reasonably possible amounts from their actual values at August 31, 2016.

At August 31, 2016, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 in respect of the Company's DSU plan.

Credit risk

Accounts receivable in respect of the Consumer, Business Networks Services, Business Infrastructure Services and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2016, the Company had accounts receivable of $268 (August 31, 2015 – $468), net of the allowance for doubtful accounts of $42 (August 31, 2015 – $26). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2016, $95 (August 31, 2015 – $121) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates the credit risk of advertising receivables by performing initial and ongoing credit evaluations of advertising customers. Credit is extended and credit limits are determined based on credit assessment criteria and credit quality. In addition, the Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

[all amounts in millions of Canadian dollars except share and per share amounts]

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2016 are as follows:

	Accounts payable and accrued liabilities[1] $	Other long-term liabilities $	Long-term debt repayable at maturity $	Interest payments $
Within one year	944	–	412	298
1 to 3 years	–	3	23	540
3 to 5 years	–	1	2,651	361
Over 5 years	–	–	2,582	1,857
	944	4	5,668	3,056

(1) Includes accrued interest and dividends of $228.

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	2016 $	2015 $
Net income from continuing operations	**456**	666
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**962**	868
Deferred income tax recovery	**(76)**	(70)
Share-based compensation	**3**	4
Defined benefit pension plans	**(40)**	(43)
Accretion of long-term liabilities and provisions	**(1)**	(1)
Equity loss of an associate or joint venture	**61**	56
Impairment of goodwill	**17**	15
Gain on sale of spectrum *[note 3]*	**–**	(158)
Loss on write-down of assets *[note 22]*	**16**	61
Loss on write-down of investments *[note 22]*	**74**	27
Distributions from a venture capital fund investment *[note 22]*	**–**	(27)
Other	**11**	
Funds flow from continuing operations	**1,483**	1,398

[all amounts in millions of Canadian dollars except share and per share amounts]

(ii) Interest and income taxes paid and interest and distributions received and classified as operating activities are as follows:

	2016 $	2015 $
Interest paid	**306**	283
Income taxes paid (net of refunds)	**242**	488
Interest received	**2**	2

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2016 $	2015 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**188**	166
Lease transactions	**–**	2

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), and bank indebtedness less cash and cash equivalents.

	August 31, 2016 $	August 31, 2015 $
Cash and cash equivalents	**(405)**	(398)
Long-term debt repayable at maturity	**5,668**	5,726
Share capital	**3,799**	3,500
Contributed surplus	**42**	45
Retained earnings	**2,505**	1,883
	11,609	10,756

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2016, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

31. SUBSEQUENT EVENT

Subsequent to the year end, shomi announced a decision to wind down its operations with service ending November 30, 2016. As a result, the Company expects to incur an investment loss of up to $120 million in 2017 relating to an estimated provision for future liabilities in shomi.

Shaw Communications Inc.
Shareholders' Information
August 31, 2016

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating shares ("**Class A Shares**"); an unlimited number of Class B Non-Voting participating shares (the "**Class B Non-Voting Shares**"); an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "**Series A Shares**") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "**Series B Shares**"). The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

As at August 31, 2016, there were 463,827,512 Class B Non-Voting Shares, 10,012,393 Series A Shares, and 1,987,607 Series B Shares and 22,420,064 Class A Shares issued and outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

The following table sets forth, for each month during the fiscal year ending August 31, 2016, the monthly price range and volume traded for the Class B Non-Voting Shares, Series A Shares and Series B Shares on the Toronto Stock Exchange (TSX) and for the Class A Shares on the TSX Venture Exchange (TSXV).

	Class B Non-Voting Shares[(1)] TSX-SJR.B			Series A Shares[(1)] TSX-SJR.PR.A			Series B Shares[(1)] TSX-SJR.PR.B			Class A Shares[(1)] TSX Venture-SJR.A		
	High	**Low**	**Volume**	**High**	**Low**	**Volume**	**High**	**Low**	**Volume**	**High**	**Low**	**Volume**
Sep 2015	26.65	25.23	19,916,697	14.76	12.10	185,819				34.00	32.55	790
Oct 2015	27.93	25.38	24,535,366	15.85	12.85	213,427				29.50	26.00	5,149
Nov 2015	28.07	26.36	25,453,754	15.81	13.87	340,157				32.00	30.96	2,954
Dec 2015	28.17	23.37	27,193,279	15.70	12.80	434,233				33.00	29.00	7,847
Jan 2016	25.83	22.84	28,558,180	14.19	10.35	346,575				34.50	26.12	6,582
Feb 2016	24.50	22.55	20,158,880	11.96	10.21	182,785				30.95	27.00	7,134
Mar 2016	25.43	23.01	23,247,160	12.68	11.11	358,491				30.40	27.62	8,017
Apr 2016	25.24	23.03	21,413,450	13.27	12.00	147,526				30.95	28.00	8,699
May 2016	25.15	23.04	22,763,435	13.90	12.74	180,181				31.23	28.35	7,233
Jun 2016	25.45	24.01	25,751,342	13.81	12.35	518,421				33.00	28.30	4,731
Jul 2016	26.62	24.36	19,500,350	13.69	12.96	208,178	13.74	12.11	67,284	33.97	32.47	2,222
Aug 2016	26.65	25.89	16,830,561	14.47	13.51	117,556	14.00	12.80	51,014	34.01	32.50	3,544

(1) Trading price and volume data is obtained from the TMX group

Share Splits

There have been four splits of the Company's Class A and Class B Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

Shaw Communications Inc.
Corporate Information
August 31, 2015

DIRECTORS

JR Shaw[4]
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
Corporate Director

Adrian L. Burns[3] [4]
Corporate Director

George F. Galbraith[1]
Corporate Director

Dr. Richard R. Green[1]
Corporate Director

Dr. Lynda Haverstock[2]
Corporate Director

Gregory John Keating[2]
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien[1] [4]
Corporate Director

Paul K. Pew[3] [4]
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer[1]
Private Investor

Bradley S. Shaw[4]
Chief Executive Officer
Shaw Communications Inc.

Jim Shaw
Vice Chair
Shaw Communications Inc.

JC Sparkman[2] [4]
Corporate Director

Carl E. Vogel[3]
Private Investor; Senior Advisor to
DISH Network

Sheila C. Weatherill[3]
Corporate Director

Willard (Bill) H. Yuill[2]
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

JR Shaw
Executive Chair

Jim Shaw
Vice Chair

Bradley S. Shaw
Chief Executive Officer

Jay Mehr
President

Vito Culmone
Executive Vice President &
Chief Financial Officer

Trevor English
Executive Vice President & Chief
Strategy and Business
Development Officer

Peter Johnson
Executive Vice President & Chief
Legal and Regulatory Officer

Jim Little
Executive Vice President & Chief
Marketing and Culture Officer

Zoran Stakic
Executive Vice President & Chief
Technology Officer

Nancy Phillips
Chief Executive Officer, ViaWest

Chris Kucharski
President, Consumer

Alek Krstajic
Executive Vice President & Chief
Executive Officer, Freedom Mobile

Ron McKenzie
Senior Vice President, Business

CORPORATE OFFICE
Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: www.shaw.ca

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policies is contained in the Information Circular and is also available on Shaw's website, www.shaw.ca.

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, www.shaw.ca.

INTERNET HOME PAGE
Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at www.shaw.ca.

AUDITORS
Ernst & Young LLP

PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
CST Trust Company,
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE
Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, Ontario, M5J 2Y1
Phone : 1-800-564-6253

FURTHER INFORMATION
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at www.shaw.ca for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email investor.relations@sjrb.ca.


Shaw

This is Exhibit 27 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

2017 | Annual Report

Shaw)

The Annual General Meeting of Shareholders will be held on January 11, 2018 at 11:00 a.m. (Mountain Time) at Shaw Court, 630 – 3rd Avenue SW, Calgary, Alberta.

Shaw Communications Inc.
Report to Shareholders
August 31, 2017

Dear Fellow Shareholders:

Every day, across Canada, more people than ever are choosing Shaw to satisfy their connectivity needs and in 2017 we took deliberate steps to make it possible for even more to rely on Shaw in the future.

Building on the foundation provided by the acquisition of Freedom Mobile (formerly, WIND Mobile) and the divestiture of Shaw Media in 2016, we have taken purposeful strides to evolve our value proposition, provide leading and innovative products and services, drive operational momentum and enhance our customers' connectivity. From technology to network deployment, marketing to product pricing and packaging, and billing to service delivery, we are developing a connectivity experience made possible through converging platforms that will meet the future expectations and demands of our customers.

In fiscal 2017, our team reached several milestones on our journey towards becoming a leading Canadian connectivity company.

MORE COVERAGE FOR MORE CUSTOMERS

By the end of 2017, more than 1.1 million Canadians had chosen our Freedom Mobile service as their wireless carrier, 10% more than in the previous year. Early in the year, we began deployment of Canada's newest LTE network in the major metropolitan centres of Toronto, Vancouver, Calgary, Edmonton and Ottawa – giving a large majority of Freedom Mobile customers faster data speeds, smoother streaming and faster downloading.

In the fourth quarter, we acquired 700 MHz and 2500 MHz wireless spectrum licences from Quebecor Media Inc ("Quebecor"). This new spectrum will materially improve our customers' experiences and network coverage across Alberta, British Columbia and Ontario, enhancing our ability to provide true facilities-based competition and affordable wireless services on a more robust network. Also in the fourth quarter, we completed the sale of ViaWest, Inc. and its subsidiaries, to Peak 10 Holding Corporation for approximately US$1.675 billion. A portion of the net cash proceeds were used to fund the acquisition of the 700MHz and 2500 MHz spectrum licences from Quebecor.

THE STRENGTH OF OUR NETWORK ALLOWS US TO DO MORE

The value of our Internet service and plans is reflected in outstanding results – five consecutive quarters of robust net gains in Internet subscribers. Our continued investments in our extensive ultra-broadband network enable us to offer our fastest speeds to over 99% of Western Canadians today – a claim no other provider can make.

We believe Canadians shouldn't have limitations on how much they use the Internet, so we are making it even easier for them to take advantage of our top-tier speeds and ultra-fast network. We have maximized our significant broadband advantage to make getting online easier and more accessible. By making our flagship WideOpen Internet 150 plan available with unlimited data, we are pleased to give customers peace of mind in knowing they can stream, download and browse without any penalty for going over monthly data limits.

REINVENTING CANADA'S VIDEO EXPERIENCE

Subscriber gains were not just limited to our Internet and wireless businesses – our cable Video business posted a remarkable turnaround in the second half of 2017, fueled by greater choice, compelling packaging, and leading technology.

The launch of Shaw BlueSky TV in mid-2017 provided momentum to our video operations, delivering a new premium television product for Canadians. Powered by Comcast's next generation X1 platform, Shaw BlueSky TV leverages the strength of our network to make this new television experience possible for Shaw customers. Integrated with Netflix and featuring benefits like voice-controlled remote and advanced search, Shaw BlueSky TV has given customers an elevated video and entertainment experience – one that has never before been available in Canadian homes.

Shaw is the first in Canada to deploy the X1 platform, and BlueSky TV has brought forward more product and feature benefits than any other television service available in the country. Its voice-controlled remote has made it easier than ever for customers to discover content: by simply saying what they are looking for, customers can immediately enjoy what they want to watch. By making it easier and more enjoyable for our customers, their families and friends to connect to the sports, shows, and movies they love, Shaw BlueSky TV has set a very high standard for Canadian television viewing.

Shaw Communications Inc.
Report to Shareholders
August 31, 2017

BECOMING CANADA'S CONNECTIVITY LEADER

We look back on these achievements as critical building blocks to achieve our ultimate goal of becoming the Canadian connectivity leader. We continually remind ourselves that the journey is a long one: it requires discipline to stay true to our goal, and flexibility to capitalize on opportunity or to correct course. Our management team is well aware of the need to maintain our financial strength, so we continue to evolve our operating model to ensure we remain efficient and effective in our decision-making.

As our business transforms, we are also evolving our workplace to support and empower our 14,000 employees with an adaptive and collaborative environment. By investing in and ensuring a cohesive internal employee experience, we foster the culture necessary to bring our long-term vision to life. Building off a strong foundation of leadership discipline and alignment to our core values, our team is united by a clear and single purpose which places our customer at the centre of everything we do – to connect people to the world and everything in it.

For more than four decades, our success and strength has been rooted in the quality and integrity of our people, and we are committed to ensuring Shaw is the place where the best people choose to work. We are grateful to every member of our team for making that choice, and for contributing to our ongoing success by caring more, connecting more, and delivering unparalleled customer experiences across the country.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

November 28, 2017

FORWARD

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. and, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. Such statements include, but are not limited to:

- statements about future capital expenditures;
- asset acquisitions and dispositions;
- cost efficiencies;
- financial guidance for future performance;
- business and technology strategies and measures to implement strategies;
- statements about the Company's equity investments, joint ventures and partnership arrangements;
- competitive strengths;
- expected growth in subscribers and the products/services to which they subscribe;
- the cost of acquiring and retaining subscribers and deployment of new services; and
- expansion and growth of Shaw's business and operations and other goals and plans.

They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this Management's Discussion and Analysis are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many of which are confidential, include but are not limited to:

- general economic conditions;
- interest;
- income tax and exchange rates;
- technology deployment;
- subscriber growth;
- pricing, usage, and churn rates;
- availability of devices;
- content and equipment costs;
- industry structure;
- conditions and stability;
- government regulation;
- the completion of any transactions; and
- the integration of acquisitions.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- general economic, market and business conditions;
- changes in the competitive environment in the markets in which Shaw operates and from the development of new markets for emerging technologies;

- industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- the Company's ability to execute its strategic plans and complete its capital projects;
- the Company's ability to close any transactions;
- the Company's ability to achieve cost efficiencies;
- technology, cyber security and reputational risks;
- opportunities that may be presented to and pursued by the Company;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this report under the heading "Known events, trends, risks and uncertainties".

The foregoing is not an exhaustive list of all possible factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

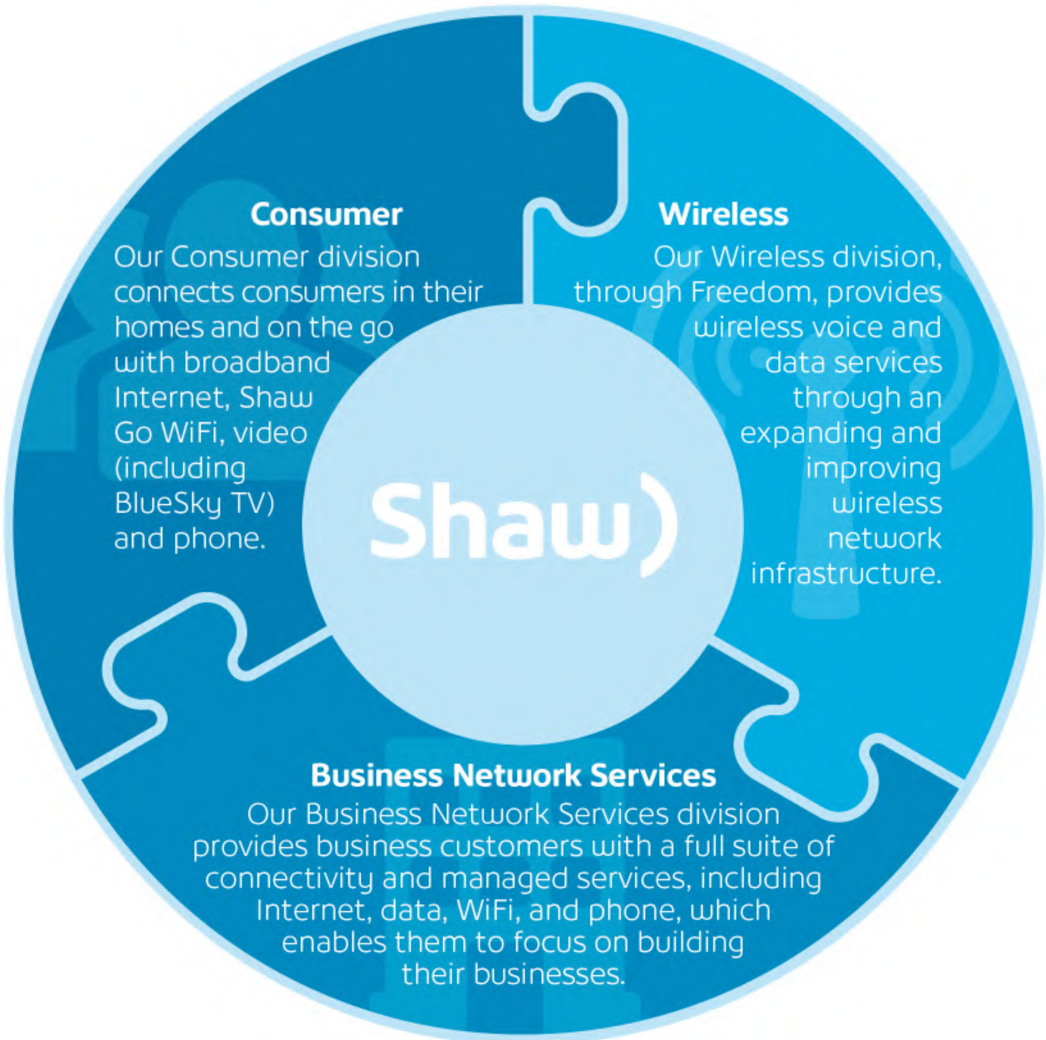
The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward-looking statements contained in this Management's Discussion and Analysis are expressly qualified by this statement.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

ABOUT OUR BUSINESS

At Shaw, we are focused to deliver long-term growth and connect customers to the world through a best in class seamless connectivity experience.



In the following sections we provide select financial highlights and additional details with respect to our strategy, our three divisions, our network and our presence in the communities in which we operate. During 2017, Shaw announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as a leading Canadian connectivity company. Shaw's existing Consumer and Business Network Services divisions will be combined to form a new Wireline division with no changes to the existing Wireless division. The Company expects to commence reporting on the new divisions of wireline and wireless in fiscal 2018.

Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Select Financial and Operational Highlights

Through an evolving operating and competitive landscape our consolidated business has delivered stable and profitable results in 2017.

Basis of presentation

On August 1, 2017, the Company sold 100% of its wholly owned subsidiary ViaWest, Inc. and its subsidiaries (collectively, "ViaWest"), previously reported under the Business Infrastructure Services division, to Peak 10 Holding Corporation ("Peak 10").

On May 31, 2017, the Company entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Business Network Services ("BNS") segment, to Omnitracs Canada. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale for the period ended August 31, 2017. The transaction closed on September 15, 2017, subsequent to the reporting period.

On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media Inc. ("Shaw Media") to Corus Entertainment Inc ("Corus").

Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services division, Shaw Tracking business (an operating segment within the Business Network Services division) and Media division are presented as discontinued operations separate from the Company's continuing operations. The Business Infrastructure Services division was comprised primarily of ViaWest. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Business Network Services segment. This Management's Discussion and Analysis ("MD&A") reflects the results of continuing operations, unless otherwise noted.

	Year ended August 31,				
				Change	
(millions of Canadian dollars except per share amounts)	**2017**	**2016**	**2015**	**2017 %**	**2016 %**
Operations:					
Revenue	**4,882**	4,518	4,208	8.1	7.4
Operating income before restructuring costs and amortization[(1)]	**1,997**	1,978	1,931	1.0	2.4
Operating margin[(1)]	**40.9%**	43.8%	45.9%	(2.9pts)	(2.1pts)
Net income from continuing operations	**557**	487	676	14.4	(28.0)
Income from discontinued operations, net of tax[(2)(3)]	**294**	753	204	(61.0)	>100
Net income	**851**	1,240	880	(31.4)	40.9
Per share data:					
Basic earnings per share					
Continuing operations	**1.12**	0.99	1.42		
Discontinued operations	**0.60**	1.52	0.38		
	1.72	2.51	1.80		
Diluted earnings per share					
Continuing operations	**1.11**	0.99	1.41		
Discontinued operations	**0.60**	1.52	0.38		
	1.71	2.51	1.79		
Weighted average participating shares outstanding during period (millions)	**491**	480	468		
Funds flow from continuing operations[(4)]	**1,530**	1,388	1,475	10.2	(5.9)
Free cash flow[(1)]	**438**	482	653	(9.1)	(26.2)

(1) Refer to key performance drivers.

(2) As of the date ViaWest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the period ended August 31, 2017, before tax, amounted to $16.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

(3) As of the date the Media division met the criteria to be classified as held for sale and for the period up to the transaction closing date of April 1, 2016, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the period ended August 31, 2017, before tax, amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other, respectively.

(4) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

Subscriber highlights:	August 31, 2017	August 31, 2016	Change
Consumer			
Video – Cable	**1,671,277**	1,671,059	**218**
Video – Satellite	**773,542**	790,574	**(17,032)**
Internet	**1,861,009**	1,787,642	**73,367**
Phone	**925,531**	956,763	**(31,232)**
	5,231,359	5,206,038	**25,321**
Business Network Services			
Video – Cable	**51,039**	61,153	**(10,114)**
Video – Satellite	**31,535**	30,994	**541**
Internet	**170,644**	179,867	**(9,223)**
Phone	**327,199**	301,328	**25,871**
	580,417	573,342	**7,075**
Wireless			
Postpaid	**764,091**	667,028	**97,063**
Prepaid	**383,082**	376,260	**6,822**
	1,147,173	1,043,288	**103,885**
	6,958,949	6,822,668	**136,281**

Our Strategy

At Shaw, we are focused to deliver long-term sustainable growth and connect customers to the world through a best-in-class seamless connectivity experience.

In fiscal 2016, Shaw positioned itself as to become a leading enhanced connectivity provider through two transformational transactions: the acquisition of Freedom Mobile (formerly, WIND Mobile) and the divestiture of Shaw Media. The addition of wireless enables Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity.

In fiscal 2017, we continued our journey towards becoming a leading Canadian connectivity company through:

(i) the concurrent announcement of the acquisition of 700 MHz and 2500 MHz wireless spectrum licences from Quebecor Media Inc. ("Quebecor") and the sale of ViaWest to Peak 10; and

(ii) the continued investment in our converged network;

all while maintaining our investment grade credit rating and dividend levels.

We will continue our focus on operational efficiency to ensure we execute on our strategic priorities and build on delivering an exceptional customer experience that is centered on our world-class converged network and strategic partnerships with best-in-class providers.

Culture and People

As Shaw repositioned itself as a leading Canadian connectivity company, we began evolving our culture to enable us to deliver on this corporate and operational strategy. Building off a strong foundation of leadership discipline and our core values, Shaw's

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

corporate culture enables our efficiency and growth potential by ensuring business decisions are made in accordance with a customer-centric perspective.

Shaw believes its success and strength stem from its people and its commitment to making it the place where the best people choose to work. Shaw continues to enhance the model below to ensure its leaders and employees are highly engaged and capable to deliver on our customer promises.

Through various data sources, including our recurring employee engagement surveys, Shaw identified the following four cultural imperatives to help achieve its culture and people objectives:

1) **Leading Effectively** – developing masterful leaders at every level of the Company to deliver extraordinary business results by bringing out the best in our people

2) **Enabling Work** – providing our people with modern tools, processes and technologies that are simple and efficient, making it easier for leaders and employees to do their jobs effectively

3) **Enhancing the Employee Experience** – delivering an exceptional employee experience tailored to our diverse employee base which considers employees every day and at every stage of their career

4) **Maximizing Performance** – implementing reward and recognition programs that drive a culture of accountability and reward performance excellence for all employees

Inspiring and engaging its diverse employees to align with its strategy is the cornerstone of Shaw's success. We are grateful to have approximately 14,000 employees committed to delivering an exceptional seamless connectivity experience for our customers and the communities we serve in Canada.

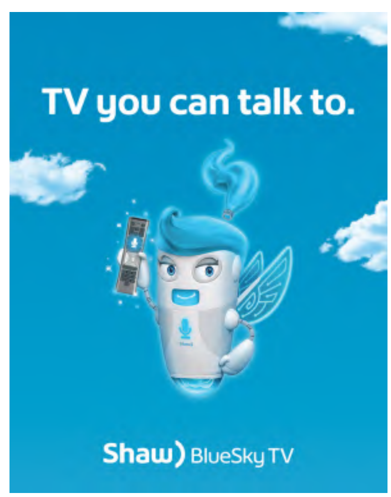
Our World-Class Converged Network

As our customers spend more of their time in the digital environment, they increasingly need and expect an always-on, seamless connectivity experience, which requires multiple integrated technological platforms. With our unique hybrid fibre-coax and Wi-Fi networks, Shaw has the opportunity to continue to innovate in response to changing consumer needs and technological developments. The world of connectivity will change in the coming years as wireline broadband technologies develop, standards for 5G are set and wireless and wireline platforms converge. Following the acquisition of Freedom Mobile (formerly, WIND Mobile) in 2016, Shaw initiated the work to integrate its wireline and wireless networks which has already started to yield significant capital expenditure efficiencies and customer benefits.

Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must participate in global scale initiatives through partnerships with best-in-class service providers. This ensures that the technology we adopt and invest in is, and continues to be, leading-edge in the global communications industry.

This approach allows us to leverage our current assets where we have strength and expertise, while also ensuring our capital investments are aligned with industry leaders to support the development, maintenance and advancement of new technology where it is impractical for us to do so on a standalone basis. This ensures that there is sufficient capital, resources and commitment to continue advances in innovation, performance and reliability of our services and products. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in purchasing opportunities on a global scale.



Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

We have solidified a series of significant relationships this year with global leaders on the following initiatives:

- our successful Shaw BlueSky TV rollout powered by the X1 Video platform developed by Comcast (see discussion under "Consumer")
- the deployment of Freedom Mobile's LTE-Advanced network, which was designed, planned and deployed by NOKIA, a global leader in mobile wireless technology and solutions (see discussion under "Wireless")
- our "Smart" suite of business services that includes SmartWiFi, in collaboration with Cisco's Meraki and SmartVoice, in collaboration with Broadsoft (see discussion under "Business Network Services")

Consumer

(millions of Canadian dollars)	2017 $	2017 share of consolidated	2016 $	2016 share of consolidated
Revenue	**3,747**	**77%[1]**	**3,752**	**83%[1]**
Operating income before restructuring costs and amortization[2]	**1,583**	**79%**	**1,667**	**84%**

(1) Before intersegment eliminations.
(2) Refer to key performance drivers.

Our brand promise to our customers is that, with Shaw, "they won't miss a thing". Our Consumer division provides residential customers with leading connectivity experiences on two platforms.

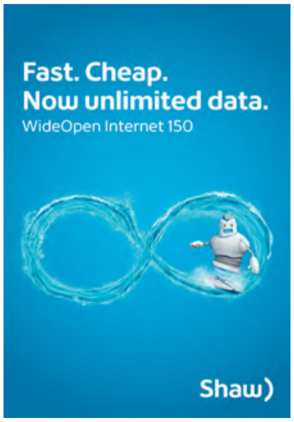
- Wireline Services – we provide broadband Internet, Shaw Go WiFi, Video and Phone to customers that are connected to our local and regional hybrid fibre-coax network
- Satellite Services – we provide Video by satellite to customers across Canada

Wireline Internet, Video and Phone Services

Shaw is one of the largest providers of residential communications services in Canada. Our Consumer division connects families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario through our hybrid fibre-coax network with broadband Internet, Shaw Go WiFi, Video and phone services to meet their needs at home and on the go.

As our customers' needs evolve, we continue to focus on innovative service offerings. Our customer-centric strategy is designed to deliver high-quality customer service, simplicity, value and choice for our customers.

Internet



As an enhanced connectivity company, we believe that the Internet plays a fundamental role in connecting our customers to the world and everything in it. We recognize the importance of providing reliable, affordable and worry-free connectivity to meet the ever-increasing appetite of our customers for discovery, social connectivity and streaming.

WideOpen Internet 150 continued momentum over the last year and remains our fastest Internet available in over 99% of our cable footprint. In August 2017, Internet 150 was enhanced to include Unlimited Data, allowing our customers to stream worry-free at an affordable price with cost certainty. When paired with our 2-year ValuePlan, Internet 150 has been one of the key drivers in customer retention. Additionally, in July 2017, we introduced our newest Internet tier, Internet 75. This new mid-level Internet tier creates an attractive speed and price combination for customers.

Our carrier-grade Shaw Go WiFi network continues to promote customer engagement and brand recognition. Over the past year there has been continued growth in the number of devices connecting to our network. Over 3.3 million devices have authenticated to Shaw Go WiFi network and there are approximately 100,000 access points representing an increase of over 13,400 access points in fiscal 2017, covering locations from British Columbia to Ontario.

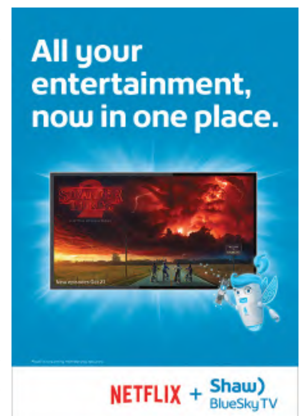
Video

Our wireline Video services continue to offer a wide selection of television channels (including over 125 high definition ("HD") channels) and over 30,000 on-demand, pay-per-view and subscription movie, and television programming titles.

Our wireline Video customers can choose from a selection of primary packages and can add additional channels from a variety of sports, family and other theme specialty packages, as well as a number of individual channels offered on a channel-by-channel basis. In April 2017, we launched a new suite of Video packages, where wireline customer choice and flexibility are placed at the forefront. Small TV, Medium TV and Large TV each bundle with the Limited TV lineup and four, seven or eleven channel theme packs for a set price. Customers now have the opportunity to customize their channel lineups by selecting preferred theme pack subscriptions or can default to our suggested theme packs for each service level. Customers can also add on extra theme packs, individual channels and premium services to round out their viewing experience.

In fiscal 2017, there was an increased focus on launching a number of channels in many small to medium-sized markets, including multicultural, time shift, and various specialty channels.

Shaw is the first in Canada to launch a Comcast Xfinity-based Video offering with our BlueSky TV. BlueSky TV was launched in phases, with the initial launch in Calgary in January 2017 followed by the Vancouver launch in February 2017 and the national launch in April 2017. This Video experience features a voice-powered remote, enhanced searches, custom recommendations, personalized experiences and parental guidance and controls. BlueSky TV was paired exclusively with WideOpen Internet 150 and based in a 2-year ValuePlan for both new and existing customers.



In September 2017, we introduced the integration of Netflix into BlueSky TV's interface, a significant milestone in the development of our BlueSky TV Video platform. Available only from Shaw, BlueSky TV customers who subscribe to Netflix can now search for, access and watch all their favourite content across live TV, Video On Demand, and Netflix, with a single voice command – it's all in one place.

Throughout fiscal 2017 the X1 based "FreeRange TV", our TV Everywhere App free for Shaw TV customers, launched 21 unique channels. The app was also enhanced to offer download-to-go TV shows and movies on a number of channels.

Phone

Shaw's Phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and Video services.

Satellite Services

Shaw Direct connects families across Canada with Video and audio programming by satellite. Shaw Direct customers have access to over 550 digital video channels (including over 250 HD channels) and over 10,000 on-demand, pay-per-view and subscription movie and television programming titles.

Similar to our wireline Video service, satellite customers can now choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis. In February 2016, we expanded satellite customer choice with the introduction of a new small basic service called "Limited TV" and we also revised our offering to include customizable "Pick Packs" which allow our customers to purchase a set number of channels at a set price (i.e. Pick 10 or Pick 20). Since December 2016, our satellite consumers have had the ability to subscribe to a primary package (including Limited TV), any theme packs they choose, and add-on individual channels on a channel-by-channel basis which they can select from all of our channels.

Shaw Direct is one of two licensed satellite Video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite video is generally stronger in rural areas. The service is marketed through Shaw Direct and a nation-wide distribution network of third party retailers.

Shaw is committed to securing and delivering leading technology for its customers. In fiscal 2017, the Company introduced new receivers with built-in Wi-Fi connectivity to its Video on-demand service. Currently, the Company has access to three satellites that will enable us to enhance our offerings with nearly all HD programming and improved service quality. Shaw's plan to move all Video services from MPEG-2 to MPEG-4 to improve the operational efficiencies of Shaw's transponders in three phases is progressing on schedule. Shaw expects to be 100% MPEG-4 by the fall of 2019, and to be able to offer all carried and available English and French services in HD by early 2020. The efficiencies gained from the conversion from MPEG-2 to MPEG-4 allowed Shaw Direct to launch 12 new HD channels in fiscal 2017.

A listing of Shaw's satellite capacity is provided below.

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2[1]	16 Ku-band	Owned
	6 Ku-band	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased

(1) On September 15, 2017, the Company completed the sale of a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada. As part of the transaction, the leases to access the Anik F2 2 Ku-band (partial) and the Intelsat Galaxy 16 1 Ku-band (partial) were assigned to Omnitracs Canada.

Seasonality

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's Consumer Wireline Video business does not depend on any single customer or concentration of customers.

Shomi

shomi, the over-the-top streaming platform that launched as a joint venture of Shaw and Rogers Communications Inc. ("Rogers") in fiscal 2015 was wound down with its operations and service ending on November 30, 2016. As a result, Shaw incurred investment losses of $82 million in fiscal 2017 relating to shomi's liabilities in connection with the wind down of the shomi joint venture. See Note 7 of the financial statements accompanying this Management's Discussion and Analysis for a reconciliation of the equity investment loss in the shomi joint venture in fiscal 2016.

Wireless

	2017		2016	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	**605**	**12%**[1]	**280**	**6%**[1]
Operating income before restructuring costs and amortization[2][3]	**133**	**7%**	**59**	**3%**

(1) Before intersegment eliminations.
(2) Refer to key performance drivers.
(3) On March 1, 2016, Shaw acquired Mid-Bowline Group Corp. and its wholly owned subsidiary, Freedom Mobile (formerly, WIND Mobile). Revenue and Operating income before restructuring costs and amortization in fiscal 2016 is for the period from March 1, 2016 to August 31, 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Our Wireless division was formed following the acquisition of Freedom Mobile (formerly, WIND Mobile) in March 2016. This acquisition transformed Shaw into a leading Canadian connectivity company, adding the critical wireless component of our converged network. Our Wireless division currently operates in Ontario, Alberta and British Columbia, offering the leading alternative for mobile services to the three national wireless incumbent carriers.

Launch of Freedom Mobile

On November 21, 2016, Shaw announced that WIND Mobile would be renamed Freedom Mobile, a new brand based on trust and transparency with our customers, as the next step in enhancing the effectiveness of our Wireless division in serving the needs of our customers. The launch of Freedom Mobile, which occurred concurrently with the initial launch of the LTE-Advanced network allowed our Wireless division to: (i) build on our current strengths; (ii) take full control over our future branding strategy; and (iii) redirect resources from royalty payments for use of the WIND brand name to other marketing or brand building initiatives. Freedom Mobile is committed to delivering significant value to customers with its easy to understand pricing plans and no term contracts.

Distribution Network

Freedom Mobile's distribution network currently includes over 300 branded stores and kiosks, which are owned by Freedom Mobile or independent dealers. The majority of our sales are made through these physical outlets. While on-line sales are a relatively small portion of Freedom Mobile's sales today, we are working to grow our on-line sales and expect them to increase in proportion to physical sales at the Freedom Mobile branded stores and kiosks in fiscal 2018.

Handset Availability

Shaw expects to begin selling Apple iPhones that are compatible with the AWS-3 LTE network in December 2017. More carriers are adopting the AWS-3 LTE network technology with the Apple iPhone 7 (certain versions), 8, and X, and Samsung Galaxy 8 all being compatible with the AWS-3 LTE network. In addition, T-Mobile, AT&T, and Verizon are all using AWS-3 spectrum which we expect will further develop the handset ecosystem and translate into broader handset options. As of November 28, 2017, there are a total of 14 handsets available that are compatible with the AWS-3 LTE network, including handsets produced by Apple, LG, Samsung, Sony and ZTE.

In October 2017, we announced another significant step forward as we deploy Freedom Mobile's recently acquired 2500 MHz spectrum and refarm a portion of our existing AWS-1 spectrum to enhance customers' access to LTE data speeds. The work is already underway and expected to be completed by early December 2017 in Western Canada and early 2018 in the rest of Freedom Mobile's coverage area. These network upgrades will make it easier for Canadians to bring their own devices to Freedom Mobile and enjoy the full benefit of our LTE-Advanced network. In particular, these enhancements will improve Freedom Mobile's LTE-Advanced network performance, especially in dense urban areas.

Subscriber Growth

Approximately 15 million Canadians reside within our current mobile wireless network service area. Our Wireless division's customer base is growing, with over 1.1 million customers presently served, including over 100,000 customers added in fiscal 2017.

Business Network Services

	2017		2016	
(millions of Canadian dollars)	$	share of consolidated	$	share of consolidated
Revenue	554	11%(1)	515	11%(1)
Operating income before restructuring costs and amortization(2)	281	14%	252	13%

(1) Before intersegment eliminations.
(2) Refer to key performance drivers.

Shaw Business provides connectivity solutions to business customers of all sizes, from home offices to medium and large scale enterprises, leveraging our business grade hybrid fibre-coax and fibre to the premise network. Through the acquisition of ENMAX Envision Inc. in 2013, Shaw significantly increased its fibre footprint and profile among larger enterprise customers in Calgary, Alberta.

The range of services offered by Shaw Business includes:

- Fibre Internet – scalable, symmetrical fibre Internet solutions from 10 Mbps to more than 10 Gbps
- Data Connectivity – secure private connectivity for multiple locations
- Voice Solutions – from services that connect customer premise equipment to the phone network and single voice line solutions to robust fully managed hosted unified communications functionality
- Video – Video and audio service offering content for public viewing
- Broadcast Video – high-quality Video across North America in real time

Shaw has positioned itself as a trusted business advisor with a focus on the small and medium enterprise segment of the market. Shaw Business takes care of all aspects of its customers' increasingly complex always-on connectivity requirements so they can focus on growing their business. As part of this strategy, Shaw has collaborated with global scale technology leaders to offer its "Smart" suite of easy to use and flexible managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions that are increasingly valued by small and medium sized businesses as the digital economy grows in scope and complexity.

The Smart suite of services includes:

SmartVoice – a unified communications solution that integrates instant messaging, presence, email, video conferencing and a mobile application that is built on Broadsoft's BroadWorks platform.

SmartWiFi – a fully-managed Internet solution that enables seamless, secure wireless connectivity for employees and guests in the office and on the go that is deployed over Cisco's Meraki platform.

SmartSecurity – a fully-managed network security platform deployed over Cisco's Meraki platform that protects a wired and Wi-Fi network at the edge with access control, the ability to control which applications run on the network, content filtering and the connection of branch locations.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

In order to continue to meet the evolving needs of our customers, we are executing our plan to ensure that our wireline network keeps pace with the expectations for bandwidth, speed and reliability that our Shaw Business customers expect today and will expect in the future. See "Shaw's Wireline Network" for a description of our wireline network and the advances that we are undertaking.

Shaw Business, through the Calgary1 data centre, also provides hybrid IT services to customers in western Canada. These services are a natural complement to Shaw Business' current offerings.

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers ("ISPs"), other communications companies, broadcasters, governments and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European and Asian networks and other tier-one backbone carriers.

Broadcast Services

Shaw Broadcast Services uses our substantial fibre backbone network to manage one of North America's largest full-service commercial signal distribution networks, delivering more television and radio signals by satellite to cable operators and other multi-channel system operators in Canada and the US than any other single-source satellite supplier. This business is referred to as a "satellite relay distribution undertaking" or "SRDU". Shaw Broadcast Services currently provides SRDU and advanced signal transport services to over 300 distribution undertakings and redistributes over 500 television signals and over 100 audio signals in both English and French to multi-channel system operators.

Tracking

On September 15, 2017, the Company completed the previously announced sale of a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada for approximately US$20 million.

Shaw's Wireline Network

At Shaw, we are proud of our advanced wireline network, which combines the power of fibre, coax, and Wi-Fi and is comprised of:

- North American fibre backbone;
- Regional fibre optic and co-axial distribution networks; and
- Local Shaw Go WiFi connectivity

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Wireline Backbone

The backbone of Shaw's wireline network includes multiple fibre capacity on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Regina, Winnipeg, Toronto, Chicago and Buffalo). The northern route consists of approximately 4,000 route kilometres of fibre between Edmonton and Toronto (via Saskatoon, Winnipeg and Thunder Bay). These routes, along with a number of secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including (i) Vancouver and Calgary, (ii) Seattle and San Jose, (iii) Seattle and Calgary, (iv) Seattle and Vancouver, (v) Toronto and New York City, (vi) Toronto and Montreal, and (vii) Edmonton and Fort McMurray.

Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and co-axial cable distribution networks.

In 2016, we completed the major upgrade of our co-axial access network to remove analog tier basic services from all markets across Shaw's cable footprint (the "Digital Network Upgrade"). As a result, all of our customers within Shaw's cable footprint now receive digital services. This upgrade liberated bandwidth to significantly increase the capacity of our hybrid fibre-coax network and enable the expansion of our broadband Internet and other offerings. Digital video terminals were deployed into customer homes that allowed them to receive digital television services in place of former analog services.

Shaw continues to optimize the capacity and efficiency of our wireline network and reduce congestion by deploying fibre optic cable deeper into our access networks and closer to our customers. We are also increasing the number of optical serving areas or "nodes" in the wireline network. This is a continual process that we apply year-over-year to increase fibre optic usage in our wireline network and reduce the distance signals travel over coaxial cable to each consumer. Driving fibre deeper into our network also supports wireless and business service deployments, as well as future services such as 5G or Fibre-to-the-Premise ("FTTP").

In fiscal 2016, we began to deploy our newest generation of cable modem termination system equipment referred to as the Converged Cable Access Platform ("CCAP") into our serving hubs. This equipment enhances the capabilities of our cable network and enables Shaw to leverage the next generation of cable access technology known as Data over Cable Interface Specification version 3.1 ("DOCSIS 3.1"). At the end of fiscal 2017, DOCSIS 3.1 ready CCAP infrastructure was running in Shaw's major systems. All remaining systems are expected to be running DOCSIS 3.1 ready CCAP infrastructure by the end of fiscal 2018. DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibre-coax network to transmit data both to and from customer premises. Our ongoing investments in our network have, for example, enabled the launch of WideOpen Internet 150 in July 2016 which is now available across 99% of our cable footprint. With the Digital Network Upgrade, the deployment of fibre closer to our customers and increasing the number of nodes in our hybrid fibre-coax network, we expect to continue to significantly improving the performance and capacity of our network.

Shaw Go WiFi

Shaw has created Canada's most extensive service provider Wi-Fi network, Shaw Go WiFi. Shaw Go WiFi extends a customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience.

We continue to expand our Shaw Go WiFi build-out. Over 3.3 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are approximately 100,000 access points representing an increase of over 13,400 access points in fiscal 2017. In addition, we have entered into agreements with 108 municipalities to extend Shaw Go WiFi service into public areas within those cities.

Shaw's Wireless Network

Until the initial launch of our LTE-Advanced network in the Greater Toronto Area ("GTA") in November 2016, all of our customers were served by our 3G network using AWS-1 spectrum. In the second half of fiscal 2016, Shaw completed the first critical step in our Wireless network upgrade with the replacement of all the older 3G equipment in western Canada with

3G HSPA+ technology. HSPA or "High Speed Packet Access" is an IP-based packet data enhancement technology that provides high speed broadband packet data services over 3G networks.

In fiscal 2016, we also partnered with NOKIA in the initiative to launch a world class, next generation mobile wireless network to our customers in Ontario, Alberta and British Columbia. LTE-Advanced is the latest standard of cellular technologies available in the marketplace today. We continue to improve our network performance with the rollout of Freedom Mobile's LTE-Advanced network to all our existing markets, on schedule and on budget, as of the end of fiscal 2017. In fiscal 2017, LTE roaming was launched with Bell, Rogers, and AT&T offering more than 97% of the Canadian and US population roaming coverage outside of Freedom Mobile's existing markets to Freedom Mobile customers that subscribe to the LTE plan.

Spectrum holdings

On July 24, 2017, the Company acquired 700MHz and 2500 MHz wireless spectrum licences from Quebecor for $430 million. The spectrum licences acquired are comprised of 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta, and Southern Ontario and the 20 MHz licences of 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary, and Toronto. In addition to the spectrum acquisition cost, fiscal 2018 capital expenditures associated with the deployment of the acquired spectrum are estimated to be approximately $350 million. This incremental investment in our Wireless division, particularly the addition of the 700 MHz spectrum, will materially improve our long-term wireless customer experience and further enable our ability to offer converged network solutions. We will also be transitioning 10 MHz of our AWS-1 spectrum from 3G to LTE-Advanced which will improve network performance and make LTE-Advanced available to more of our customers and other potential customers.

In October 2017, we announced the deployment of the recently acquired 2500 MHz spectrum and refarming of a portion of our existing AWS-1 spectrum which will enhance our customers' access to LTE data speeds. The work is already underway and expected to be completed by early December 2017 in western Canada and early 2018 in the rest of Freedom Mobile's coverage area. These network upgrades will make it easier for Canadians to bring their own devices to Freedom Mobile and enjoy the full benefit of our LTE-Advanced network. In particular, these enhancements will improve Freedom Mobile's LTE-Advanced network performance, especially in dense urban areas.

With the addition of the spectrum licences acquired from Quebecor, our Wireless division currently holds 50 MHz of AWS spectrum, 10 MHz of 700 MHz and 20MHz of 2500 MHz spectrum in the main service areas of Southern Ontario, Alberta and British Columbia, and 10-50 MHz of AWS spectrum in certain other non-core markets. As a result of the spectrum transaction with Quebecor, the Corporation's aggregate spectrum holdings have increased to 80 MHz in certain markets located in Southern Ontario, Alberta, and British Columbia. As discussed below, Innovation, Science and Economic Development Canada ("ISED") is conducting a consultation regarding the policy framework for the 600 MHz spectrum auction (see "Government Regulations and Regulatory Developments – Radiocommunication Act – Wireless Spectrum Licences").

The Company expects that its spectrum assets will support anticipated growth in LTE-Advanced network subscribers, as well as 3G HSPA+ network subscribers, and also provide new growth, geographic diversification, and scale opportunities in the markets in which we operate.

Equity Interest in Corus

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. Its portfolio of multimedia offerings encompasses 45 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus' roster of premium brands includes Global Television, W Network, OWN: Oprah Winfrey Network Canada, HGTV Canada, Food Network Canada, HISTORY®, Showcase, National Geographic Channel, Q107, CKNW, Fresh Radio, Disney Channel Canada, YTV and Nickelodeon Canada. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in April 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing and the final one third for 24 months post-closing.

The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan until September 1, 2017. For the year ended August 31, 2017, the Company received dividends of $88 million (April 1 to August 31, 2016 – $34 million) from Corus, $81 million (April 1 to August 31, 2016 – $34 million) were reinvested in additional Corus Class B non-voting participating shares. At August 31, 2017, the Company owned 80,630,383 (2016 – 74,135,891) Corus Class B non-voting participating shares having a fair value of $1,109 million (2016 – $911 million) and representing 39% (2016 – 38%) of the total issued equity of Corus. The Company's weighted average ownership of Corus for the year ended August 31, 2017 was 38% (April 1 to August 31, 2016 – 37%). As of September 1, 2017, the Company's Corus B Consideration Shares no longer participate in Corus' dividend reinvestment plan thus resulting in expected cash dividends to the Company related to our total Corus shareholdings of approximately $91 million in fiscal 2018.

Although the Corus Class B non-voting participating shares do not have voting rights, the Company is considered to have significant influence due to Board representation. In addition, Shaw Family Living Trust ("SFLT") controls both Shaw and Corus. SFLT is controlled by its sole trustee, SFLTCO Ltd., a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (Chair), Jim Shaw, Bradley S. Shaw, three other members of JR Shaw's family and one independent director (See "Related Party Transaction – Corus").

Community Investment

We know that finding solutions to society's most challenging issues requires more than philanthropic gifts, which is why we use our suite of assets to help advance the goals of our charitable partners. Whether we are shining a spotlight on our partners through our website and social media channels, or connecting employees' time and talents to charitable organizations, we are committed to creating long-lasting, impactful relationships that make a difference in the communities we call home.

skip
Shaw Kids Investment Program

Shaw continues to leverage the Shaw Kids Investment Program ("SKIP") to support organizations that improve the lives of Canadian kids. In 2017, Shaw contributed over $35 million in cash and in-kind support, as well as 18,655 hours of volunteer time, to over 1,000 local and national youth-focused charitable organizations.

In 2017, Shaw marked Canada's 150th anniversary by granting 150 birthday wishes to honour extraordinary people and organizations making the country a better place for kids. Through this year long project, Shaw provided funding to support 40 charitable programs, 60 events, and 50 individuals, all nominated by the community.

In 2017, Shaw celebrated the fifth year of the Shaw Charity Classic, commemorating five years of the PGA TOUR Champions, our community, and giving back. The tournament raised $8.3 million for over 150 children and youth charities in Alberta, bringing the total dollars raised in five years to $22 million. The success of the Shaw Charity Classic over the past five years has reinforced the impact we can have as an employer and corporate citizen when we integrate our sponsorship and community investment activities to provide even greater support for the programs and organizations that are building positive environments for kids and youth in the community.

Shaw)
Charity Classic

Shaw also continued to build partnerships and promote the work of organizations that are working to prevent bullying in our schools, playgrounds and online. In its third year, Shaw's Pink Shirt Promise social media campaign, which raises awareness and funds for bullying prevention programs across Canada, engaged over 1.35 million Canadians and provides funding to bring bullying prevention programs to over 450 schools over the next three years, positively impacting more than 400,000 kids across the country.

Government regulations and regulatory developments

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various pieces of legislation, including the *Broadcasting Act* (Canada) ("Broadcasting Act"), the *Telecommunications Act* (Canada) ("Telecommunications Act"), the *Radiocommunication* Act (Canada) ("Radiocommunication Act") and the *Copyright Act* (Canada) ("Copyright Act"). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the supervision of the Department of Canadian Heritage ("Canadian

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Heritage") and ISED, respectively. The allocation and use of wireless spectrum in Canada are governed by spectrum licences issued by, and radio authorization conditions set by, ISED pursuant to the Radiocommunications Act.

Limits on non-Canadian ownership and control

Neither a holding company that has a subsidiary operating company licensed under the Broadcasting Act, nor any such licensee, may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. Pursuant to the *Direction to the CRTC (Ineligibility of Non-Canadians)* (the "Direction"), non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. If a holding company of a licensee does not satisfy the requirement that 80% of its board of directors be resident Canadians, it must have a CRTC-approved Independent Programming Committee ("IPC") in place to ensure that neither the holding company nor its directors exercise control or influence over the programming decisions of its subsidiary licensee. With CRTC approval, Shaw implemented an IPC to comply with the Direction.

Similar restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act, the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian of a company operating pursuant to those Acts. Instead, the Telecommunications Act, the Radiocommunication Act and associated regulations require only that 80% of the voting shares of such entities be held by resident Canadians. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector. The US Trade Representative ("USTR") has included in its negotiating objectives for the renegotiation of the North American Free Trade Agreement ("NAFTA") by the US, Canada and Mexico, the removal of all barriers to foreign investment in all sectors. These developments may lead to greater levels of competition in the Canadian telecommunications market.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Broadcasting Act

Pursuant to the Broadcasting Act, the CRTC is mandated to supervise and regulate all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires broadcast distribution undertakings ("BDUs") to give priority to the carriage of Canadian services, to contribute a certain percentage of revenue to the production of Canadian programming and to provide efficient delivery of programming services. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. Shaw's broadcasting distribution business depends on licences (or operates under an exemption order) granted and issued by the CRTC under the Broadcasting Act.

In fall 2016, the Minister of Canadian Heritage ("Minister") initiated a consultation process aimed at strengthening Canadian content creation, discoverability and export in the digital era. On September 28, 2017, the Minister announced the result of that process, entitled "Creative Canada Policy Framework" and reconfirmed the Government's earlier commitment (in the 2017 federal budget) to review the Broadcasting Act and the Telecommunications Act. The details of such reviews are expected to be released in fall 2017. In addition, the Minister announced an Order-in-Council directing the CRTC to report back to Cabinet, by June 1, 2018, on likely programming distribution models of the future, how and through whom Canadians will access programming going forward, and the extent to which new distribution models can support the creation, production and distribution of Canadian content.

The Creative Canada Policy Framework did not propose, and the Government has confirmed that it does not support, a levy on broadband distribution services to support Canadian content. The framework does, however, envisage reforms to the Copyright Act (possibly pursuant to the statutory five-year review of the Copyright Act, slated to begin in November 2017) to ensure the protection and compensation of creators. This creates the potential for increased fees or limitations on content uses to the extent that such a review introduces any new rights and entitlements or reduces user flexibility pursuant to existing exceptions under the Copyright Act. Similarly, the upcoming review of the Broadcasting Act creates the potential for new obligations applicable to the Company's cable, satellite, satellite relay distribution and programming undertakings.

Licensing and ownership

For each of its cable, direct-to-home satellite ("DTH") and SRDU undertakings, the Company holds a separate broadcasting license or is exempt from licensing under the Broadcasting Act. In August 2016, Shaw submitted an application to renew its licences for all licensed cable undertakings as part of a renewal process that includes several other major terrestrial BDUs. The Company's DTH and SRDU licences are not due for renewal until August 31, 2019.

The CRTC's consideration of cable license renewal applications has proceeded as a two-phased process. Phase 1 was limited in scope and included a hearing to review BDUs' practices with regard to the small basic service and flexible packaging requirements. The purpose of Phase I was to ensure that licensees are offering the services in accordance with the spirit of the Let's Talk TV policy framework and the associated regulations, and, the imposition of conditions of license relating to the Wholesale Code, the Television Service Provider Code and participation in the Commissioner for Complaints for Telecommunications Services. At the conclusion of Phase 1, Shaw's licences were administratively renewed until August 31, 2017. In May 2017, the CRTC formally initiated Phase 2 of the renewal proceeding, and administratively renewed Shaw's cable licences until May 31, 2018. In Phase 2, the Commission is examining, among other issues: BDUs' practices relating to the small basic and flexible packaging options; community channel compliance; accessibility of the community channels; and, the progress of the set-top box audience-measurement working group. The oral hearing to consider the issues in Phase 2 took place from October 16-19, 2017. A decision is expected in the spring of 2018.

The Company also holds separate licences for each of Shaw on Demand, a video-on-demand ("VOD") service, and Shaw Pay-Per-View. In May 2017, Shaw's national VOD licence was renewed for a 5-year term, from September 1, 2017 to August 31, 2022. The Company's licence for Shaw Pay-Per-View is not due for renewal until August 31, 2019.

New media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage. The CRTC has decided to not impose a levy on the revenue of exempt digital media undertakings to support Canadian new media content.

The potential for new or increased fees

CRTC Regulations require licensed cable BDUs to obtain the consent of an over-the-air ("OTA") broadcaster to deliver its signal in a distant market. The CRTC Regulations provide that DTH undertakings may distribute a local OTA television signal without consent within the province of origin, but must obtain permission to deliver the OTA television signal beyond the province of origin unless the DTH distribution undertaking is required to carry the signal on its basic service. Broadcasters may assert a right to limit distribution of distant signals or to seek remuneration for the distribution of their signals in distant markets on the basis of the CRTC Regulations (see also "NAFTA" and "Copyright" below).

Telecommunications Act

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable telecommunication services of high-quality. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Retail Internet, home phone services and mobile wireless services have been forborne from price regulation. However, regulations do affect certain terms and conditions under which Shaw's retail services are provided. As described further below under "Third Party Internet Access," certain Shaw wholesale services are regulated.

The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act and the regulations and rules promulgated thereunder. The technical operating aspects of the Company's businesses are regulated by technical requirements and performance standards established by ISED, primarily under the Telecommunications Act and the Radiocommunication Act.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

In the 2017 federal budget, the Government announced its intention to review the Telecommunications Act and the Broadcasting Act. While the process for these reviews has not been initiated, any changes to the Telecommunications Act pursuant thereto could impact the business practices of the Company, including the rates charged for wholesale and retail services in certain instances.

CRTC Wireless Code

In June 2013, the CRTC implemented the Wireless Code to, among other things:

- impose limitations on early cancellation fees;
- prohibit contracts with terms that provide for cancellation fees after two years; and
- require trial periods for wireless contracts and caps on overage roaming charges.

The CRTC commenced a scheduled review of the Wireless Code in September 2016 and held a hearing in February 2017. In June 2017, the CRTC rendered a decision imposing amendments to the Wireless Code, which included, among other things, a prohibition on handset unlocking fees and the imposition of restrictions on the sale of locked phones, consistent with Freedom Mobile's position at the review hearing.

Third Party Internet Access

Shaw is mandated by the CRTC to provide a wholesale service at regulated rates that allows independent ISPs to provide Internet services at premises served by Shaw's wireline network ("Third Party Internet Access" or "TPIA"). In 2015, the CRTC completed a review of the wholesale wireline telecommunications policy framework, including TPIA, and: (i) extended mandated wholesale access services to include FTTP facilities; and (ii) initiated a shift to a new disaggregated wholesale Internet access service. The new disaggregated service will be phased-in over a period of three years and is intended to allow independent ISPs to reduce reliance on the transport facilities currently included as part of the regulated wholesale service. The CRTC has approved interim disaggregated rates for Ontario and Quebec. It remains unclear when Shaw will be directed to file disaggregated tariffs and rates for its serving area.

Although the CRTC has initiated a shift to a new disaggregated service, in October of 2016, the CRTC approved, pending the completion of its review of aggregated costing studies, interim aggregated rates which were lower than the proposed rates. At the completion of this review, the CRTC may require further adjustments to Shaw's costing studies, which may result in further reductions in the wholesale rates we charge for aggregated TPIA service.

The CRTC also commenced a proceeding to review the competitor quality of service indicators and the rate rebate plan for competitors to ensure alignment with the new wholesale services framework. As part of this review, the CRTC may extend quality of service obligations to providers of wholesale Internet services, which would increase the operational costs of providing the TPIA service.

CRTC Review of Wholesale Roaming Rates

In May 2015, the CRTC decided to regulate certain aspects of wholesale wireless services provided by the three national wireless incumbent carriers and issued a comprehensive policy framework for wholesale wireless services, including roaming, tower sharing and mobile virtual network operators (MVNOs). The framework requires the three national wireless incumbent carriers to provide wholesale roaming services to non-incumbent wireless carriers at cost-based rates. The CRTC established interim rates for the mandated wholesale roaming service pending its review of the incumbent carrier cost filings. A CRTC decision on the mandated wholesale roaming service rates is expected in 2018 and may affect our roaming costs and the rates and services that we can offer customers.

CRTC review of Wi-Fi First

CRTC Telecom Decision 2017-56 determined that public Wi-Fi did not constitute a mobile wireless home network for the purposes of accessing mandated wholesale wireless roaming rates. In June 2017, the Governor in Council ("GiC") referred CRTC Telecom Decision 2017-56 back to the CRTC for review. The GiC asked the CRTC to review whether expanding the definition of home network to include public Wi-Fi would have a positive impact on the affordability of retail mobile wireless services and whether the negative impact of such a change on facilities based investment and competition would outweigh the benefits. If the CRTC reverses its previous position, Wi-Fi First providers, and other resale-based models, could gain access to incumbent wireless networks at regulated rates for the purposes of roaming which would disadvantage Shaw in the marketplace. The CRTC must issue its determination by the end of March 2018.

CRTC Modern Telecommunications Decision

In December 2016, the CRTC issued its Modern Telecommunications Services decision following a review of the basic telecommunications services required by all Canadians to fully participate in the digital economy. In its decision, the CRTC determined that 90% of Canadians should have access to broadband Internet speeds of 50 Mbps download and 10 Mbps upload by the year 2021. In order to assist in achieving the foregoing, the CRTC established a new broadband funding mechanism that will replace the local phone subsidy regime that will be phased-out. Shaw, as well as other telecommunications providers, will be required to contribute to the new broadband fund. The CRTC is currently undertaking a process to design the new broadband funding mechanism, which will make $750 million available for broadband subsidies over the next five years. Concurrent with this decision, the CRTC also submitted a report to the Federal Government's Innovation Agenda, which reflects the results of its basic telecommunications services review. The report highlights ways in which the government can focus on ensuring the availability, affordability and adoption of broadband services.

Differential Pricing Practices

In April 2017, the CRTC released a new policy framework for reviewing differential pricing practices. The CRTC formulated stringent guidelines for evaluating practices where certain types of data/Internet content are priced differently than others on wireline and mobile wireless data plans. As part of the decision, the CRTC reaffirmed its commitment to net neutrality.

Access for wireline network

For its wireline network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the Telecommunications Act, Shaw may do so with the consent of the municipality or other public authority having jurisdiction.

Radiocommunication Act

Our Wireless division holds licences for the use of radiofrequency spectrum required to operate its mobile wireless business. Those spectrum licences are administered by ISED under the Radiocommunication Act. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

Wireless Spectrum Licences

The Wireless division's AWS-1 spectrum licences were issued in 2009, for a term of ten years, and prior to expiration, the licences may be renewed. The AWS-3 spectrum licences were issued in April 2015 and have a term of 20 years. The 700 MHz and 2500 MHz spectrum licences that the Company purchased from Quebecor were initially issued in February 2014 and May 2015, respectively for a term of 20 years.

The applicable terms and conditions of renewal of our and other carriers' spectrum licences after the initial term are determined by ISED through public consultation processes that begin prior to the expiry of those licences. In the summer of 2017, ISED held a public consultation relating to the renewal of AWS-1 and other spectrum licences auctioned in 2008, including those held by our Wireless division. If Freedom Mobile has met its conditions of licence, including any applicable deployment obligations, Freedom Mobile will have a high expectation to be eligible for renewal. We expect to meet the applicable requirements and conditions of licence for those spectrum licences that are material to our plans for the Wireless division. As part of the consultation, ISED is proposing more onerous deployment conditions.

The Company is also participating in ISED's consultation regarding the release of millimeter wave spectrum in the 28 GHz, 37-40 GHz and 64-71 GHz frequency bands to support deployment of 5G wireless networks and systems, as well as ISED's Spectrum Outlook consultation, which will review the overall approach and planning activities related to the release of spectrum for commercial mobile services, licence-exempt applications, satellite services and wireless backhaul services over the years 2018-2022.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

ISED has a framework that sets out criteria for reviewing and approving license transfers, prospective transfers, and deemed license transfers, including consideration of the quantum and concentration of spectrum holdings before and after the proposed transfer.

Our Wireless division's operations could be materially affected by our failure to:

- obtain new or additional spectrum licences;
- renew existing spectrum licences;
- obtain approval of any transfer of spectrum licences; or
- procure spectrum licences that provide access to adequate allocations of low-band spectrum, which has superior propagation and penetration characteristics, or of other spectrum that is required for 5G.

In addition, the Wireless division could experience increased costs, or reduced revenues or reduced margins, or the deployment or service plans could be negatively affected by, amended or newly-adopted laws and regulations, or decisions of ISED or the CRTC. The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act, and the regulations and rules promulgated thereunder.

Access for Wireless Network

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers and/or sites owned and operated by third party tower and/or sites providers and the three national wireless incumbent carriers. Pursuant to the conditions of their spectrum licences and the CRTC's policy framework for wholesale wireless services, the three national wireless incumbent carriers must allow competitors, including Freedom Mobile, to co-locate equipment at these locations. However, the process of negotiating the sharing of towers is uncertain and time consuming, and the ISED and CRTC processes that are available to force the incumbents to abide by the existing rules can also be challenging and time consuming.

Copyright Act

Canada's Copyright Act accords the creators and owners of content various rights to authorize or be remunerated for the use of their works and performances, including, in some instances, by broadcast distribution undertakings. In addition, the Copyright Act creates certain exceptions that permit the use of copyrighted works without the authorization or remuneration of rights holders. Parliament will commence a mandated 5-year review of the Copyright Act in November, 2017. This process could lead to amendments to the Copyright Act that impact the terms and conditions applicable to the use of content, including the potential for increased fees, and the scope of flexibility with respect to the use of content pursuant to exceptions under the Copyright Act.

Furthermore, pursuant to the Copyright Act, the Copyright Board of Canada ("the Copyright Board") oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services. The Copyright Board may also make rulings on the interpretation of the Copyright Act in the course of issuing copyright tariff decisions.

The potential for new or increased fees

The Copyright Board is currently considering a proposed tariff for the retransmission of programming in distant television regions for the years 2014 through 2018. The tariff proposed by the retransmission rights collectives would, if approved, represent a significant increase in the per subscriber rates payable for the retransmission of programming in distant signals. The Company has participated in the hearing process and objected to the tariff on behalf of its cable and DTH satellite divisions. The record of this proceeding is now complete and the parties are awaiting the decision of the Copyright Board.

In addition, in August 2017, the Copyright Board issued a decision interpreting the scope and meaning of "making available" as defined in the Copyright Act. In the Online Music Services proceeding, SOCAN and other rights owners argued that downloading musical works constitutes "making available" requiring the payment of public performance royalties. The Objectors, including the Company, argued that since downloading is not a public performance, SOCAN is not entitled to royalties for downloads. The Copyright Board held that while the act of downloading is not itself a communication to the public and, as such, is outside the scope of the proposed tariff, the act of loading copyright materials onto servers to facilitate downloading is a form of "making available" and a communication to the public and falls under the SOCAN tariff. Various applications for judicial review have been filed, arguing that this interpretation is erroneous, and the Company will intervene in support of such applications. If the Copyright Board's interpretation is upheld, it could lead to new claims by rights holders in connection with Company technologies that facilitate downloading.

North American Free Trade Agreement (NAFTA)

Canada has entered into – along with the US and Mexico – a process to renegotiate the NAFTA. The USTR has published negotiating objectives and has been urged by a number of US stakeholders to secure changes to the NAFTA that could, if achieved, impact Canada's broadcasting and telecommunications sectors. Certain Canadian stakeholders have also urged changes as a way to motivate domestic legislative and policy change. While negotiating parties aim to conclude negotiations in the first quarter of the 2018 calendar year, there is no formal end-date for the NAFTA negotiation process and the outcomes of the negotiation are unknown.

The potential for new or increased fees

US broadcasters and certain Canadian broadcasters have, as part of their submissions to their respective governments regarding the renegotiation of the NAFTA, urged the introduction of a retransmission consent regime in Canada and, in some cases, the removal of the existing retransmission compulsory licensing regime from Canada's Copyright Act. To the extent that such changes are incorporated in any revised NAFTA, it could result in the imposition on the Company of significant costs in connection with the distribution of broadcast services on Shaw Video and a reduction of the ability to retransmit US broadcast signals to customers.

Limits on non-Canadian ownership and control

The USTR has included in its negotiating objectives for the renegotiation of the NAFTA by the US, Canada and Mexico, the removal of all barriers to foreign investment in all sectors. These developments could lead to greater levels of competition in the Canadian telecommunications market.

Personal Information Protection and Electronic Documents Act and Canadian Anti-Spam Legislation

The *Personal Information Protection and Electronic Documents Act* (Canada) ("PIPEDA") is Canada's federal privacy law regulating the collection, use and disclosure of personal information in Canada by a federally regulated organization in the private sector. Shaw has established a privacy policy and its internal privacy processes in accordance with PIPEDA.

Canada's anti-spam legislation (together with the related regulations, "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per-item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before one-time items like restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

Relative increases period-over-period in operating income before restructuring costs and amortization and in operating margin are indicative of the Company's success in delivering valued products and services, and connecting customers to the world through a best in class seamless connectivity experience.

	Year ended August 31,	
(millions of Canadian dollars)	**2017**	**2016**
Operating income from continuing operations	**999**	1,115
Add back (deduct):		
Restructuring costs	**54**	23
Amortization:		
Deferred equipment revenue	**(38)**	(52)
Deferred equipment costs	**122**	139
Property, plant and equipment, intangibles and other	**860**	753
Operating income before restructuring costs and amortization	**1,997**	1,978

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

	Year ended August 31,		
	2017	**2016**	**Change**
Consumer	**42.2%**	44.4%	(2.2pts)
Business Network Services	**50.7%**	48.9%	1.8pts
Wireless	**22.0%**	21.0%	1.0pts

Net debt leverage ratio

The Company uses this measure to set its optimal leverage. Refer to Liquidity and Capital Resources for further detail.

Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and pay dividends to shareholders. Free cash flow is calculated as free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow from continuing operations is comprised of operating income before restructuring costs and amortization adding dividends from equity accounted associates, changes in receivable related balances with respect to customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow from continuing operations has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are reported on a combined basis for Consumer and Business Network Services due to the common infrastructure and separately for Wireless. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow from discontinued operations is comprised of income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items after deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions), cash taxes paid or payable, program rights amortization on assets held for sale, cash amounts associated with funding CRTC benefit obligations related to media acquisitions, recurring cash funding of pension amounts net of pension expense and excludes non-controlling interest amounts that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

Free cash flow is calculated as follows:

	Year ended August 31,		
(millions of Canadian dollars)	2017	2016	Change %
Revenue			
Consumer	**3,747**	3,752	(0.1)
Business Network Services	**554**	515	7.6
Wireless	**605**	280	116.1
	4,906	4,547	7.9
Intersegment eliminations	**(24)**	(29)	(17.2)
	4,882	4,518	8.1
Operating income before restructuring costs and amortization(1)			
Consumer	**1,583**	1,667	(5.0)
Business Network Services	**281**	252	11.5
Wireless	**133**	59	125.4
	1,997	1,978	1.0
Capital expenditures and equipment costs (net):(2)			
Consumer and Business Network Services	**970**	928	4.5
Wireless	**255**	121	110.7
	1,225	1,049	16.8
Free cash flow from continuing operations before the following	**772**	929	(16.9)
Less:			
Interest	**(256)**	(267)	(4.1)
Cash taxes	**(183)**	(263)	(30.4)
Other adjustments:			
Dividends from equity accounted associates	**88**	34	158.8
Non-cash share-based compensation	**3**	3	–
Pension adjustment	**8**	(40)	(120.0)
Customer equipment financing	**8**	8	–
Preferred share dividends	**(8)**	(13)	(38.5)
Free cash flow from continuing operations	**432**	391	10.5
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items	**140**	365	(61.6)
Less:			
Capital expenditures	**(99)**	(147)	(32.7)
Interest	**(33)**	(32)	3.1
Cash taxes	**(2)**	(29)	(93.1)
Program rights	**–**	(33)	(100.0)
CRTC benefit obligation funding	**–**	(11)	(100.0)
Non-controlling interests	**–**	(20)	(100.0)
Pension adjustment	**–**	(2)	(100.0)
Free cash flow from discontinued operations	**6**	91	(93.4)
Free cash flow	**438**	482	(9.1)

(1) Refer to Key performance drivers.
(2) Per Note 24 to the audited Consolidated Financial Statements.

STATISTICAL MEASURES:

Subscriber counts (or Revenue Generating Units ("RGUs")), including penetration and bundled customers

The Company measures the count of its subscribers in its Consumer, Business Network Services and Wireless divisions.

In the Consumer and Business Network Services divisions, wireline Video subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as wireline Video customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Subscriber counts, or RGUs, and penetration statistics measure market share and also indicate the success of bundling and pricing strategies.

Consumer and Business Network Services divisions' RGUs represent the number of products sold to customers and includes Video (cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2017 these combined divisions had approximately 5.8 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g. cellular phone, smartphone, tablet or mobile Internet device) has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2017 the Wireless divisions had approximately 1.1 million RGUs.

Wireless average revenue per subscriber unit per month ("ARPU")

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity, but does not have a standardized meaning under IFRS. Refer to "Segmented Operations Review" for Wireless ARPU details and description.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from Video, Internet, Phone, and Wireless customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses. For customers with multi-year service plans, the total amount of contractual service revenue is accounted for on a straight-line basis over the term of the plan.

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes digital cable terminal ("DCT") and direct-to-home ("DTH") equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore, the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Freedom Mobile offers a discretionary handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenue earned in connection with the services is applied against the up-front discount provided on the handset. Freedom Mobile also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time.

The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the Consolidated Statement of Financial Position.

Discontinued operation equipment revenue and costs

In the Shaw Tracking operation, currently classified as held for sale, equipment revenue is recognized over the period of the related service contract for airtime, which is generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurs incremental direct costs including equipment costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Discontinued operation subscriber revenue

In the former Media division, subscriber revenue was recognized monthly based on subscriber levels. Advertising revenues were recognized in the period in which the advertisements were aired or displayed on the Company's digital properties and recorded net of agency commissions as these amounts were paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds were allocated to individual advertising spots under the arrangement based on relative fair values.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foreseen, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. **Corporate departments such as Technology and Network Operations ("TNO"):** TNO is involved in overall planning and development of the Video/Internet/Phone infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TNO devotes considerable efforts towards the development of systems to support Phone, Wi-Fi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. **Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Phone infrastructure:** Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity for Internet, home Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity, including the DNU project, and the Wi-Fi build.
3. **Subscriber-related activities such as installation of new drops and Internet and Digital Phone services:** The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Program rights represent licensed rights acquired to broadcast television programs on the former Shaw Media division's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window license start date. For licensed rights, the Company records a liability for program rights and corresponding asset when the license period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the license agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the Statement of Financial Position between current and noncurrent based on expected life at time of acquisition.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. The Company had two additional cash generating units, data centres, until the sale of Viawest in August 2017 and Media, until the sale of the division in April 2016. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Employee benefit plans

As at August 31, 2017, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected to be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefit Obligation at End of Fiscal 2017	Pension Expense Fiscal 2017
Weighted Average Discount Rate – Non-registered Plans	3.70%	3.50%
Impact of: 1% decrease – Non-registered Plans	$ 86	$ 4

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees, program rights and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During 2016, the Company sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016. In fiscal 2017, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. The Company also received dividends from Corus related to its Class B non-voting participating shareholdings representing 39% of the total issued equity of Corus. (See "Equity Interest in Corus")

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership. During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland BC operations.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

Refer to Note 27 to the Consolidated Financial Statements for further related party transaction detail.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2016 had no impact on the Company's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments were applied prospectively for the annual period commencing September 1, 2016.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018, however earlier application is permitted.
- IAS 7 *Statement of Cash Flows* was amended in 2016 to improve disclosures regarding changes in financing liabilities. It is required to be applied for annual period beginning on or after January 1, 2017.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing January 1, 2018. We are assessing the impact of this standard on our consolidated financial statements.
- IAS 12 *Income Taxes* was amended in 2016 to clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is required to be applied for annual periods commencing January 1, 2017.
- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

  The application of IFRS 15 will impact the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers. IFRS 15 requires the estimation of total consideration to be received over the contract term at contract inception, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over time. The Company currently expenses such costs as incurred.

  The Company's financial position will also be impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers. While similar differences are recognized currently, IFRS 15 introduces additional requirements and disclosures specific to contracts with customers.

  Shaw continues to evaluate the impacts of IFRS 15 and preparations are underway for the adoption of the new standard. Initial planning and scoping efforts were conducted during 2017, with ongoing development of the required accounting policies, significant judgment's and estimates, processes, information systems and internal controls expected to continue throughout the Company's 2018 fiscal year. In connection with these development efforts, the Company also expects a significant historical data gathering initiative will be required to identify and account for multi-year contracts with customers at the date of adoption. At this stage in the Company's IFRS 15 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard

  The new standard is effective for annual periods beginning on or after January 1, 2018, which for the Company will be the annual period commencing September 1, 2018, and must be applied either retrospectively or on a modified retrospective basis for all contracts that are not complete as at that date. The Company continues to evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.

- IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has been adopted. The Company will evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.

- IFRIC 23, *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019.

RISK MANAGEMENT

In the normal course of our business activities, the Company is subject to both risks and opportunities. The purpose of risk management is to manage and mitigate risk, rather than to eliminate risk. The Company is committed to continually strengthening our risk management capabilities to protect and enhance value.

Risk Governance and Oversight

The Board of Directors has overall risk governance and oversight responsibilities. Specifically, the Board is responsible for identifying and assessing the principal risks inherent in the business activities of the Company and ensuring that management takes all reasonable steps to implement appropriate systems to manage such risks. The Board of Directors has delegated elements of its risk oversight responsibilities to specific Board committees. In particular, the Audit Committee is responsible for: (1) overseeing the Company's processes for identifying, assessing and managing risks; and (2) ensuring that management implements and maintains effective internal controls and procedures for identifying, assessing and managing the principal risks to the Corporation and its business. In addition, the Human Resources and Compensation Committee is responsible for ensuring that the Company's long-term and short-term incentive plans do not incent risk-taking beyond the Company's risk tolerance.

Responsibilities for Risk Management

Responsibility for risk management is shared across our organization. Each department's operating management, led by the Company's executive team, have integrated controls and risk management practices into day-to-day activities and decision-making processes. We have risk management and compliance functions across the organization such as Finance, Security and Risk, Legal and Regulatory, and Technology Risk Governance. The Internal Audit and Advisory Services (IA&AS) department provides independent and objective audit and advisory services in order to evaluate and improve the effectiveness of the Company's governance, internal controls, disclosure processes, and risk management activities. The Audit Committee oversees the work of the IA&AS department and all reports issued by the IA&AS department. In addition, the IA&AS department's annual plan is reviewed and approved by the Audit Committee.

Enterprise Risk Management

The Audit Committee undertakes a further review of the significant corporate level risks through the Enterprise Risk Management program ("ERM"). The ERM is a performance focused process designed to identify and manage significant corporate level risks that could impact the achievement of our strategic objectives. The Company's executives meet quarterly to: (1) review and update significant corporate level risks; (2) assess such corporate level risks in terms of likelihood and magnitude of impact, (3) review the response strategy, and (4) monitor progress. The Company's executives provided an ERM report to the Board in April 2017, with updates to be provided at least annually. The significant risks and uncertainties affecting the Company and its business are discussed under "Known Events, Trends, Risks and Uncertainties in Management's Discussion and Analysis".

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements".

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has reduced the traditional lines between telecommunications, Internet and distribution services and further expands the competitive landscape. Shaw may also face competition from platforms that may gain advantage through regulatory processes. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology and customer service and through acquisitions, there can be no assurance that these investments will be sufficient to maintain Shaw's market share or performance in the future.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers may require substantial promotional activity and increase our cost of customer acquisition, decrease our ARPU or both. We expect that competition, including aggressive discounting practices by competitors to gain market share, will continue to increase for all of our businesses.

Consumer Internet

Shaw competes with a number of different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading and interactive gaming. As described further under "Shaw's Wireline Network", Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth. However, there can be no assurance that our investments in network capacity will continue to meet this increasing demand.

Consumer Video

Shaw's Consumer Video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated over-the-top ("OTT") video services and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer video services. Our satellite services also compete with illegal satellite services including grey and black market offerings.

Consumer Phone

Shaw's competitors for Consumer wireline phone services include traditional telephone companies, other wireline carriers, Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of these competitors have larger operational and financial resources than Shaw. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer wireline phone services.

Wireless

Freedom Mobile (formerly, WIND Mobile), is a new entrant in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse, spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. The LTE-Advanced overlay network has been built using our Wireless division's AWS-3 spectrum licences. While a substantial ecosystem of handset devices for the AWS-3 spectrum band is emerging in 2018, the selection of handsets supporting the AWS-3 spectrum band currently available remains limited. In addition, our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies, including as a result of regulatory decisions or government policies that favour certain competitive platforms. (see "Government regulations and regulatory developments – Telecommunication Act – CRTC review of Wi-Fi First").

Business Network Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Services also competes in industries that are highly competitive, rapidly evolving and subject to constant change.

Impact of Regulation

As discussed under "Government regulations and regulatory developments", a majority of our Canadian business activities are subject to: (i) regulations and policies administered by ISED and/or the CRTC, and (ii) conditions of licences granted by ISED and/or the CRTC. Shaw's operations, financial results, and future prospects are affected by changes in regulations, policies and decisions, conditions of licences and decisions, including changes in interpretation of existing regulations and requirements contained in such conditions of licences by courts, the government or the regulators, in particular the CRTC, ISED, Competition Bureau and Copyright Board. These changes relate to, and may have an impact on, among other things, licensing and licence renewal, spectrum holdings, products and services, competition, programming carriage and terms of carriage, strategic transactions, and infrastructure access, and the potential for new or increased fees or costs. All such changes in the regulatory regime may have a material adverse effect on Shaw and its reputation, as well as Shaw operations, financial results and/or future prospects.

Economic Conditions

The Canadian economy is affected by uncertainty in global financial and equity markets and slowdowns in national and/or global economic growth. Changes in economic conditions, which may differ across our regional footprint, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) **Interest rates:** Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets. These are more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are all fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

As at August 31, 2017, virtually all of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) **Capital markets:** Shaw requires ongoing access to capital markets to support our operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a mix of fixed and floating rate debt. Interest on the Company's unsecured banking facility are based on floating rates, while the senior notes are all fixed rate obligations.

The Company may also enter into forward contracts to mitigate its exposure to foreign exchange and interest rate risk. The Company may also maintain a portion of its balance sheet cash in US dollars to provide economic protection against a depreciating Canadian Dollar. While hedging and other efforts to manage these risks are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. For instance, if Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

Equity Investment in Corus

As at August 31, 2017, the Company owned 80,630,383 Class B non-voting participating shareholdings representing 39% of the total issued equity interest of Corus. Corus operates a portfolio of multimedia offerings comprised of specialty television services, radio stations, conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services (see "Equity Interest in Corus"). Each of these businesses faces competition, including competition for subscribers, advertising customers and engaging content. Corus' performance affects the value of the Company's investment in Corus and the Company's financial results. Corus' performance may not meet the Company's expectations (including in respect of Corus' payment of a regular dividend) in the near and/or long term.

As Corus is a publicly traded company, its value to the Company may be determined by market factors that do not reflect its intrinsic value. This may limit the Company's ability to market its interest in Corus at a price that reflects the intrinsic value of Corus to the Company.

Programming Expenses

Expenses for video programming continue to be one of our most significant single expense items. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and this may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Satellite

Shaw uses three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to provide satellite services in our Consumer and Business Network Services divisions. The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. While the Company intends to renew or replace some or all of these long-term capacity service agreements as they expire, there can be no assurance that replacement transponder capacity will be available or that such agreements will be entered into on favourable terms or in similar amounts, which may have a material adverse effect on customer service and customer relationships, as well as the Company's reputation, operations and/or financial results.

For transponders on Anik F1R and Anik F2, the Company does not maintain any insurance coverage as it believes the costs are uneconomic relative to the benefit which could otherwise be derived through an arrangement with Telesat. In the case of Anik G1, Telesat is committed to maintaining insurance on the satellite for five years from its April 2013 launch. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites as it believes the premium costs are uneconomic relative to the risk of satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-pre-emptible basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R, Anik F2 and Anik G1 transponders that are secured through capacity service agreements. The Company has priority access to spare transponders on Anik F1R, Anik F2 and Anik G1 in the case of interruption, subject to availability. In the event of satellite failure, service will only be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade of their video terminal or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including its own or third party networks. Such network failures may be caused by fire damage, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events which may be beyond Shaw's control.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures the plant in its hybrid fibre-coax network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would be also limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the hybrid fibre-coax access network is located underground.

Shaw protects its wireline network through a number of measures including physical and information technology security, and ongoing maintenance and placement of insurance on our network equipment and data centres, including the Calgary1 data centre. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service.

Shaw protects its wireless network and mitigates wireless network failure through physical and information technology security, ongoing maintenance, and by carrying insurance on its wireless network equipment.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Cyber Security Risks

Although Shaw's systems and network architecture are designed and operated to be secure, they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software or the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security within Shaw while we are monitoring the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance that Shaw will be able to protect its network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various IT systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Reliance on Suppliers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The Company sources its customer premise and capital equipment, capital builds as well as portions of its service offerings from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its operations and/or its financial results. There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business, whether in Canada or the US. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division and our Shaw Go WiFi operations. Some studies have alleged that links exist between radiofrequency emissions from certain wireless

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. The Company complies with all applicable laws and regulations. Further, the Company relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results.

Holding company structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Class A Shares are the only shares entitled to vote on all shareholder matters. Voting control of the Company is held by Shaw Family Living Trust ("SFLT") which holds, for the benefit of descendants of JR and Carol Shaw, 17,562,400 Class A Shares, being approximately 78% of the issued and outstanding shares of such class as at August 31, 2017. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (chair), Jim Shaw, Bradley S. Shaw, three other members of JR Shaw's family, and one independent director. Accordingly, JR Shaw, through SFLT and its trustee, is able to elect a majority of the Board of Directors of the Company and to control any vote by the holders of Class A Shares.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share and quarterly preferred share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to stabilize dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the Company will continue common or preferred share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

Talent Management and Succession Planning

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services in the short to medium term. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could have a material adverse effect on Shaw, its operations and/or financial results.

To mitigate this risk, the Company's comprehensive compensation program is designed to attract, retain, motivate and reward the executive team and key employees by aligning management's interest with our business objectives and performance. Furthermore, the Company conducts annual succession planning to identify and develop key leaders to build capabilities and experiences required for the future.

Labour Relations

As of August 31, 2017, approximately 6% of our employees are represented by unions under collective bargaining agreements. While the Company's labour relations have been positive in the past, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations and reputation. Even if we do not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs could be limited by the terms of such collective bargaining agreements.

DISCUSSION OF OPERATIONS AND FOURTH QUARTER

To comply with the requirements of Items 1.4 (Discussion of Operations) and 1.10 (Fourth Quarter) of Form 51-102F1 of National Instrument 51-102, the sections entitled "Discussion of Operations" and "Overview" in the Company's Management's Discussion and Analysis for the fourth quarter and year ended August 31, 2017 (the "**2017 Fourth Quarter MD&A**") are incorporated by reference herein. The 2017 Fourth Quarter MD&A can be found on SEDAR at www.sedar.com

SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization(1)	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income(2)	Basic and diluted earnings per share from continuing operations	Basic and diluted earnings per share
(millions of Canadian dollars except per share amounts)							
2017							
Fourth	1,244	479	149	481	481	0.30	0.97
Third	1,216	511	164	133	133	0.33	0.27
Second	1,206	503	150	147	147	0.30	0.30
First	1,216	504	94	90	90	0.19	0.18
Total	4,882	1,997	557	851	851	1.12	1.72
2016							
Fourth	1,212	514	145	154	154	0.29	0.31
Third	1,189	519	78	700	704	0.16	1.45
Second	1,055	466	120	156	164	0.24	0.32
First	1,062	479	144	210	218	0.30	0.43
Total	4,518	1,978	487	1,220	1,240	0.99	2.51

(1) Refer to key performance drivers.
(2) Net income attributable to both equity shareholders and non-controlling interests.

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's wireline, satellite, wireless or data centre businesses do not depend on any single customer or concentration of customers.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

In the fourth quarter of fiscal 2017, net income increased $348 million compared to the third quarter of fiscal 2017 mainly due to the gain on divestiture, net of tax, of ViaWest, and lower fourth quarter restructuring costs. The increase was partially offset by a decrease in operating income before restructuring costs and amortization, higher amortization, lower equity income from our investment in Corus and higher income taxes. See "Other income and expense items" for further detail on non-operating items.

In the third quarter of fiscal 2017, net income decreased $14 million compared to the second quarter of fiscal 2017 mainly due to third quarter restructuring costs and losses on discontinued operations, net of tax, as well as increased amortization. The decrease was partially offset by an increase in operating income before restructuring costs and amortization and lower income taxes. Net other costs and revenue changed primarily due to a $16 million increase in income from an equity accounted associate and a $15 million provision reversal related to the wind down of shomi in the quarter.

In the second quarter of fiscal 2017, net income increased $57 million compared to the first quarter of fiscal 2017 mainly due to a non-recurring provision related to the wind down of shomi operations recorded in the first quarter, partially offset by an increase in amortization and income taxes. Also contributing to the increased net income were lower restructuring costs, partially offset by lower equity income from our investment in Corus. Net other costs and revenue changed primarily due to a provision of $107 million recorded in the prior quarter relating to shomi operations partially offset by a $17 million decrease in income from an equity accounted associate in the quarter.

In the first quarter of fiscal 2017, net income decreased $64 million compared to the fourth quarter of fiscal 2016 mainly due to a non-recurring provision related to the wind down of shomi operations included in net other costs and revenue for the first quarter of fiscal 2017. Also contributing to the decreased net income was lower operating income before restructuring costs and amortization, higher restructuring charges and lower income from discontinued operations, partially offset by lower income taxes. Net other costs and revenue changed primarily due to a $107 million impairment of the Company's joint venture investment in shomi and a $27 million increase in income from an equity accounted associate in the first quarter of fiscal 2017.

In the fourth quarter of fiscal 2016 net income decreased $550 million compared to the third quarter of fiscal 2016 mainly due to lower income from discontinued operations, net of tax, relating primarily to the gain on the divestiture of the former Media division recorded in the third quarter, decreased operating income before restructuring costs and amortization, and higher income taxes. Partly offsetting the decrease in net income were decreases in net other costs and revenue and restructuring costs. Net other costs and revenue changed primarily due to non-recurring charges recorded in the third quarter, including a $51 million impairment of the Company's joint venture investment in shomi, a $20 million write-down of a private portfolio investment, $12 million acquisition related costs and a $10 million loss from an equity accounted associate.

Net income for the third quarter of fiscal 2016 increased $540 million compared to the second quarter of fiscal 2016 mainly due to higher income from discontinued operations, net of tax, relating primarily to the gain on the divestiture of the former Media division, increased operating income before restructuring costs and amortization and lower income taxes. Partly offsetting the net income improvement in the quarter were: i) decreased net other costs and revenue; ii) increased restructuring charges; and iii) increased amortization. Net other costs and revenue changed primarily due to a $51 million impairment of the Company's shomi joint venture investment, a $20 million write-down of a private portfolio investment and a $10 million loss from an equity accounted associate.

In the second quarter of fiscal 2016, net income decreased $54 million compared to the first quarter of fiscal 2016 mainly due to decreased income from discontinued operations, net of tax, of $30 million, primarily due to the seasonality of the Media business reflected in income from discontinued operations, net of tax, and net other costs and revenue of $13 million. Net other costs and revenue changed primarily due to an additional $8 million of costs recorded in the second quarter related to the acquisition of Freedom Mobile (formerly, WIND Mobile).

In the first quarter of fiscal 2016, net income decreased $58 million compared to the fourth quarter of 2015 mainly due to a change in net other costs and revenues of $140 million and decrease in operating income before restructuring costs and amortization of $17 million offset by an increase in income from discontinued operations, net of tax, of $47 million and a decrease in income taxes of $50 million. Net other costs and revenue changed primarily due to a fourth quarter fiscal 2015 gain on the sale of wireless spectrum of $158 million less the impact of a $27 million write-down of a private portfolio investment in the same period offset by an increase in the equity loss of a joint venture interest in shomi of $5 million in the first quarter of fiscal 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

The following further assists in explaining the trend of quarterly revenue and operating income before restructuring costs and amortization:

Growth (losses) in subscriber statistics as follows:

	2017				2016			
Subscriber Statistics	**First**	**Second**	**Third**	**Fourth**	**First**	**Second**	**Third**	**Fourth**
Video – Cable	**(16,344)**	**(11,604)**	**12,968**	**5,084**	(20,900)	(39,354)	(25,993)	(23,773)
Video – Satellite	**(15,704)**	**(3,570)**	**5,522**	**(2,739)**	(12,628)	(3,560)	1,113	(6,780)
Internet	**14,097**	**9,610**	**20,457**	**19,980**	8,418	2,788	(8,302)	12,064
Phone	**(12,481)**	**(1,333)**	**5,426**	**3,027**	(19,730)	(11,369)	(9,767)	(13,094)
Total Consumer & Business	**(30,432)**	**(6,897)**	**44,373**	**25,352**	(44,840)	(51,495)	(42,949)	(31,583)
Wireless – Postpaid	**14,307**	**33,582**	**20,085**	**29,089**	–	–	639,997	27,301
Wireless – Prepaid	**(4,837)**	**(155)**	**(111)**	**11,925**	–	–	363,472	12,788
Total Wireless	**9,470**	**33,427**	**19,974**	**41,014**	–	–	1,003,469[1]	40,089

(1) On March 1, 2016, Shaw acquired Mid-Bowline Group Corp. and its wholly owned subsidiary, Freedom Mobile (formerly, WIND Mobile). Subscribers gained in the third quarter of fiscal 2016 represent those acquired through the purchase and those related to net additions in the period from March 1, 2016 and May 31, 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2017 CONSOLIDATED RESULTS

				Change	
(millions of Canadian dollars except per share amounts)	2017	2016	2015	2017 %	2016 %
Operations:					
Revenue	**4,882**	4,518	4,208	**8.1**	7.4
Operating income before restructuring costs and amortization(1)	**1,997**	1,978	1,931	**1.0**	2.4
Operating margin(1)	**40.9%**	43.8%	45.9%	**(2.9pts)**	(2.1pts)
Funds flow from continuing operations(2)	**1,530**	1,388	1,475	**10.2**	(5.9)
Net income from continuing operations	**557**	487	676	**14.4**	(28.0)
Income from discontinued operations, net of tax	**294**	753	204	**(61.0)**	>100
Net income	**851**	1,240	880	**(31.4)**	40.9
Free cash flow(1)	**438**	482	653	**(9.1)**	(26.2)
Balance sheet:					
Total assets	**14,373**	15,382	14,746		
Long-term financial liabilities					
Long-term debt (including current portion)	**4,300**	5,612	5,669		
Other financial liabilities		5	20		
Per share data:					
Basic earnings per share					
Continuing operations	**1.12**	0.99	1.42		
Discontinued operations	**0.60**	1.52	0.38		
	1.72	2.51	1.80		
Diluted earnings per share					
Continuing operations	**1.11**	0.99	1.41		
Discontinued operations	**0.60**	1.52	0.38		
	1.71	2.51	1.79		
Weighted average number of participating shares outstanding during period (millions)	**491**	480	468		
Cash dividends declared per share					
Class A	**1.1825**	1.1825	1.1613		
Class B	**1.1850**	1.1850	1.1638		

(1) Refer to Key performance drivers.

(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Fiscal 2017 Highlights

- Net income was $851 million for fiscal 2017 compared to $1.24 billion in 2016.
- Earnings per share were $1.72 in fiscal 2017 compared to $2.51 in 2016.
- Revenue for fiscal 2017 improved 8.1% to $4.88 billion from $4.52 billion in 2016.
- Operating income before restructuring costs and amortization of $2.0 billion in fiscal 2017 was up 1.0% over prior year's $1.98 billion.
- Consolidated free cash flow in fiscal 2017 was $438 million compared to $482 million in 2016.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

- During 2017, the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850, respectively. Dividends paid in 2017 were $595 million gross of amounts attributed to the dividend reinvestment plan.

Significant acquisitions, financings and other items:

Sale of ViaWest, Inc. and its subsidiaries

- On August 1, 2017, the Company sold 100% of its wholly-owned subsidiary ViaWest. for approximately US$1.675 billion in cash, which represents an attractive return on the Company's original investment in fiscal 2015 of approximately US$1.2 billion.

Acquisition of 700 MHz and 2500 MHz wireless spectrum licences from Quebecor

- The Company enhanced its wireless network capabilities through the acquisition of wireless spectrum licences from Quebecor on July 24, 2017 for $430 million. The acquired spectrum licences comprise 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta and Southern Ontario, as well as the 20 MHz licences of the 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary and Toronto.

Financing activity

- On December 15, 2016, the Company extended the term of its five-year $1.5 billion bank credit facility from December 2019 to December 2021. This credit facility is used for working capital and general corporate purposes.
- The Company conducted a number of capital market activities, including:
  - the extension of its dividend reinvestment plan in respect of its Class A Participating Shares and Class B Non-Voting Participating Shares to eligible shareholders who are residents of the United States;
  - the issuance of 3.80% $300 million senior unsecured notes due March 1, 2027; and
  - the repayment of $400 million senior unsecured notes due March 2, 2017.
  - the repayment of US$846 million in borrowings under the Company's and ViaWest's credit facilities related to the sale of ViaWest.

Other items

- shomi, the over-the-top streaming platform that launched as a joint venture of Shaw and Rogers in fiscal 2015 was wound down with its operations and service ending on November 30, 2016. As a result, Shaw incurred investment losses of $82 million in fiscal 2017 relating to shomi's liabilities in connection with the wind down of the joint venture.
- The Company launched the market leading BlueSky TV which is based on the Comcast Corporation ("Comcast") X1 video platform.
  - BlueSky TV was launched in phases, with the initial launch in Calgary in January 2017 followed by the Vancouver launch in February 2017 and the national launch in April 2017.
- On June 1, 2017, the Company announced that it entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs LLC for proceeds of approximately US$20 million. The transaction closed on September 15, 2017.
- The Company continued to improve its network performance with the rollout of Freedom Mobile's LTE-Advanced network to all existing markets, on schedule and on budget, as of the end of fiscal 2017.
- Freedom Mobile's handset lineup has continued to expand in fiscal 2017, currently with a total of 14 handsets that are compatible with the AWS-3 LTE network, including Apple, LG, Samsung, Sony and ZTE.
- In fiscal 2017, the Company began to deploy our newest generation of cable modem termination system equipment referred to as the Converged Cable Access Platform ("CCAP") into our serving hub sites. CCAP significantly enhances the capabilities of our cable network and enables Shaw to leverage the next generation of cable access technology known as Data Over Cable Interface Specification version 3.1 ("DOCSIS 3.1"). DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibre-coax network to transmit data both to and from customer premises. As of August 31, 2017, DOCSIS 3.1 ready CCAP infrastructure was running in Shaw's major systems. All remaining systems are expected to be running DOCSIS 3.1 CCAP ready infrastructure by the end of fiscal 2018.

- The Company continued to expand its Shaw Go WiFi build-out. As at August 31, 2017, the Company had approximately 100,000 Shaw Go WiFi access points installed and operating throughout the network and over 3.3 million devices using Shaw Go WiFi. Moreover, the Company has leveraged its WiFi access points to improve network coverage for Freedom Mobile customers which represents an important step in our converged network strategy.

Fiscal 2016 Highlights

- Net income was $1.24 billion for fiscal 2016 compared to $880 million in 2015.
- Earnings per share were $2.51 in fiscal 2016 compared to $1.80 in 2015.
- Revenue for fiscal 2016 improved 7.4% to $4.52 billion from $4.21 billion in fiscal 2015.
- Operating income before restructuring costs and amortization of $1.98 billion in fiscal 2016 was up 2.4% over fiscal 2015 amount of $1.93 billion.
- Consolidated free cash flow in fiscal 2016 was $482 million compared to $653 million in 2015.
- During 2016, the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850 respectively. Dividends paid in 2016 were $568 million gross of amounts attributed to the dividend reinvestment plan.

Significant acquisitions: financings and other items.

ViaWest acquisition of INetU, Inc.

- On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU, Inc. ("INetU") for US$162 million which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility.
- INetU is a solutions provider of public, private and hybrid cloud environments offering managed security and compliance services. The acquisition of INetU allowed ViaWest to add new services to its cloud and managed offerings, and expanded its geographical footprint with eastern US and European cloud locations.

Acquisition of Mid-Bowline Group Corp and its wholly owned subsidiary WIND Mobile Corp.

- On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary WIND Mobile Corp. for an enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company's credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares.
    - The fair value of purchase consideration consisted of $1.59 billion in cash and $68 million in shares. The acquisition of WIND Mobile led to the creation of the Wireless division.
- The addition of wireless enables Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within our operating footprint.

Sale of Shaw Media Inc.

- On April 1, 2016, the Company entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. for a purchase price of approximately $2.65 billion comprised of $1.85 billion of cash and 71,364,853 Corus Class B non-voting participating shares representing approximately 37% of Corus' total issued equity of Corus.
    - For fiscal 2016, the assets and liabilities, operating results and operating cash flows for the previously reported Media segment were presented as discontinued operations separate from the Company's continuing operations. Prior period financial information was also reclassified to present the Media division as a discontinued operation.
    - The Company recognized a gain on the divestiture, net of tax, in income from discontinued operations of $625 million.
- Through holding of the shares in Corus, the Company will effectively retain an indirect, non-controlling interest in the Media division subsequent to the sale, but the Company will no longer have control over the division.

- The Company participated in Corus' dividend reinvestment program for its initial investment in Corus Class B Shares until September 1, 2017. For the year ended August 31, 2016, the Company received dividends of $34 million from Corus that were reinvested through the program into additional Corus Class B shares. At August 31, 2016, the Company owned 74,135,891 Corus Class B shares having a fair value of $911 million and representing 38% of the total issued equity of Corus.

Financing activity

- During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term facility of $50 million. During 2014, the Company amended the terms of the facility to extend the maturity date from January 2017 to December 2019. In February 2016, the Company elected to increase its borrowing capacity by $500 million under the terms of the amended facility to a total of $1.5 billion. Funds are available to the Company in both Canadian and US dollars. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates.
- In March 2016, ViaWest entered into an incremental US$80 million term loan and increased the borrowing capacity available on the revolving facility by US$35 million. The incremental term loan has quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuate with LIBOR, US prime and US Federal Funds rates and the facilities are secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement.
- In connection with the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016, the Company drew down $1.3 billion on its credit facility comprised of a $1.0 billion non-revolving credit facility with a syndicate of lenders that was entered into on March 1, 2016 along with $300 million drawn on the Company's existing credit facility. These amounts were repaid on April 1, 2016 using the cash proceeds received from the Shaw Media disposition.
- The Company conducted a number of capital markets activities, including:
  - On February 1, 2016, the Company repaid $300 million floating rate senior notes.
  - On February 19, 2016, the Company issued $300 million senior notes at a rate of 3.15% due February 19, 2021.
  - On May 9, 2016, the Company repaid $300 million 6.15% senior notes.

Other items

- The Company has a 50% joint control interest in shomi partnership ("shomi"), which is a subscription video-on-demand service that launched in November 2014.
  - Subsequent to fiscal 2016, shomi announced its decision to wind down its operations with service ending November 30, 2016.
- During 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of Freedom Mobile (formerly, WIND Mobile) and divestiture of Shaw Media.
  - Approximately 200 employees were affected by the 2016 restructuring of which $23 million of restructuring costs were recorded relating primarily to severance and employee related costs.
- In January 2016, Shaw launched FreeRange TV, a mobile destination for its video customers that combined their TV and content subscriptions in one place, and provides on-the-go access to live and on demand content.
- The Company continued to expand its Business Network Services offering, including the successful expansion of its smart suite of products to include Smart Security in addition to SmartWiFi and SmartVoice.
- The Business Infrastructure Services division expanded its hybrid IT service offerings with the opening of the data centre in Plano, Texas – bringing the total to 30 data centres.
- The CRTC's "Let's Talk TV" initiative resulted in a new policy framework requiring Shaw to offer a $25 entry-level service offering (basic service) and all discretionary services (not offered on the basic service) either on a standalone basis or in packages of up to 10 programming services by March 2016. In addition, the Company was required to offer these services both on a standalone basis and in packages of up to ten programming services by December 1, 2016.
  - In March 2016, the Company introduced a new small basic service called "Limited TV" and revised its offerings to include small, medium and large theme packs starting at $6 per theme pack.

    - In November 15, 2016, Shaw launched "pick and pay" which allows customers to subscribe for a primary package (including Limited TV), select theme packs and add-on individual channels on a channel by channel basis.
- The Company continued to expand its Shaw Go WiFi build-out. As at August 31, 2016, the Company had approximately 85,000 Shaw Go WiFi access points installed and operating throughout the network and over 2.6 million devices using Shaw Go WiFi.

Fiscal 2015 Highlights:

- Net income was $880 million for fiscal 2015 compared to $887 million in 2014.
- Earnings per share were $1.80 in fiscal 2015 compared to $1.84 in 2014.
- Revenue for fiscal 2015 was flat at $4.21 billion as compared to fiscal 2014.
- Operating income before restructuring costs and amortization of $1.93 billion in fiscal 2015 was up 1.0% over 2014 amount of $1.91 billion.
- Consolidated free cash flow in fiscal 2015 was $653 million compared to $698 million in 2014.
- During 2015, the Company increased the dividend rate on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares to an equivalent dividend rate of $1.1825 and $1.185, respectively. Dividends paid in 2015 were $535 million gross of amounts attributed to the dividend reinvestment plan.

Significant acquisitions, financings and other items:

Acquisition of ViaWest, Inc.

- On September 2, 2014, the Company closed the acquisition of 100% of the shares of ViaWest for an enterprise value of US$1.2 billion which was funded through a combination of cash on hand, assumption of ViaWest debt and a drawdown of US$330 million on the Company's credit facility.
- The ViaWest acquisition provided the Company with a growth platform in the North American data centre sector and represented another step in expanding technology offerings for mid-market enterprises in Western Canada.

Acquisition of AppliedTrust Engineering, Inc.

- On June 30, 2015, ViaWest acquired 100% of the shares of AppliedTrust Engineering, Inc. ("AppliedTrust"), a provider of security, compliance, DevOps and infrastructure consulting services to a wide range of clients. The purchase consideration consisted of $9 million in cash and contingent consideration of $2 million.
- AppliedTrust's capabilities augment the ViaWest platform with fast enablement of secure hybrid services including IT assessment, migration, compliance consulting, cloud readiness and deeper application support.

Other items

- In April 2014, the Company announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as the leading network and content experience company. Commencing in fiscal 2015, Shaw's residential and enterprise services were reorganized into new Consumer and Business units, respectively. The organization structure realignment efforts included the following initiatives:
    - Adapting its customer care operations into centres of expertise in order to improve the end-to-end customer service experience;
    - Restructuring certain functions within the Business Network Services division to improve customer service and performance; and
    - Organizational changes in the former Media division to transition from a traditional broadcaster to a broader focus media organization.
    - In 2015, the Company recorded $39 million in respect of continued restructuring, primarily related to severance and employee related costs, which impacted approximately 1,600 employees.
- During fiscal 2015, the Company partnered with Rogers to form shomi, a subscription video-on-demand. The service was launched in early November 2014.
- During 2013, the Company granted Rogers an option to acquire its wireless spectrum licences. The exercise of the option and the sale of the wireless spectrum licences were subject to various regulatory approvals and

therefore, the licences were not classified as held for sale. During fiscal 2015, the regulatory reviews concluded at which time Rogers exercised its option and the transfer was completed. The Company had previously received $50 million in respect of the purchase price of the option to acquire wireless spectrum licences and a $200 million deposit in respect of the option exercise price. The Company received an additional $100 million when the transaction completed and recorded a gain of $158 million.

- During 2013, the Company established a notional fund, the accelerated capital fund, of up to $500 million with proceeds received, and to be received, from strategic transactions. Accelerated capital initiatives were funded through this fund and not cash generated from operations. Key investments included the Calgary data centres, further digitization of the network and additional bandwidth upgrades, development of IP delivery of video, expansion of the Wi-Fi network, and additional innovative product offerings related to Shaw Go Wi-Fi and other applications to provide an enhanced customer experience. Approximately $110 million was invested in fiscal 2013, $240 million in fiscal 2014, and $150 million in fiscal 2015.
- In June 2015, Shaw announced that it had partnered with Comcast to make its market-leading cloud-based X1 video platform available to our customers. The X1 video platform offers a seamless viewing experience across multiple screens and devices both in and out of the home.
- The Company continued to expand its Business Network Services offering, including the successful launch of a new phone product, "SmartVoice", which provides a unified communications solution to small businesses that has typically been reserved for large scale organizations, and "Managed Hotel WiFi" using proven Cisco technology to provide a cloud based Wi-Fi product that is a fully managed solution for the hospitality market.
- Shaw also continued to invest in and build awareness of Shaw Go WiFi and as at August 31, 2015 had approximately 75,000 access points and 2 million devices using the network.

Revenue and operating income before restructuring costs and amortization

Shaw delivered full year fiscal 2017 financial results that met its revised guidance. Operating income before restructuring costs and amortization of $1,997 million in fiscal 2017 was within the target range of $1,989 – $2,014 million after adjusting for discontinued operations ($2,135 – $2,160 million before adjusting). For further discussion of divisional performance see "Segmented Operations Review."

Consolidated revenue of $4.88 billion for fiscal 2017 improved 8.1% over $4.52 billion for fiscal 2016. Revenue improved primarily due to the Wireless division contributing revenues of $605 million for the twelve-month period in fiscal 2017 as compared to $280 million in the six-month period for fiscal 2016 following the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016. Excluding the results of the Wireless division, revenue for the twelve-month period from the combined Consumer and Business Network Services divisions was up $34 million or 0.8%. Customer acquisition was the primary driver of revenue growth in the Business Network Services division. The Consumer division's revenue was comparable to the prior year reflecting the impact of rate increases being fully offset by elevated promotional activity and wireline Video product mix.

Operating income before restructuring costs and amortization of $1,997 million for the twelve-month period improved 1.0% compared to $1,978 million for fiscal 2016. The improvement was primarily due to the Wireless division contributing $133 million over the twelve-month period as compared to $59 million in fiscal 2016 over the six-month period following the acquisition of Freedom Mobile (formerly, WIND Mobile). The operating income before restructuring costs and amortization increase of $29 million for the twelve-month period in the Business Network Services division was more than fully offset by $84 million decrease in the Consumer division. In the Consumer division, rate increases and RGU growth (led by Internet) were more than fully offset by elevated promotional activity and Video product mix in addition to higher programming costs and higher planned marketing investments.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Amortization

(millions of Canadian dollars)	2017	2016	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**38**	52	(26.9)
Deferred equipment costs	**(122)**	(139)	(12.2)
Property, plant and equipment, intangibles and other	**(860)**	(753)	14.2

Amortization of property, plant and equipment, intangibles and other increased 14.2% for the year ended August 31, 2017 over the comparable period due to amortization of new expenditures exceeding the amortization of assets that became fully amortized during the year. In addition, only six months of Wireless division amortization was included in the prior year subsequent to the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016.

Amortization of financing costs and Interest expense

(millions of Canadian dollars)	2017	2016	Change %
Amortization of financing costs – long-term debt	**2**	3	(33.3)
Interest expense	**258**	268	(3.7)

Interest expense for the twelve-month period ended August 31, 2017 decreased over the comparable period primarily due to lower average outstanding debt balances in the current year.

Other income and expenses

(millions of Canadian dollars)	2017	2016	Increase (decrease) in income
Business acquisition costs	**–**	(21)	21
Equity loss of an associate or joint venture	**73**	(61)	134
Other losses	**(65)**	(97)	32
	8	(179)	187

In fiscal 2017, the Company recorded equity income of $73 million related to its interest in Corus, compared to equity losses of $10 million in the prior year. In fiscal 2016, the Company also recorded equity losses of $51 million related to its interest in shomi, the subscription video-on-demand service launched in early November 2014. The equity loss includes amounts in respect of the development and launch of the business.

In fiscal 2016, the Company incurred $21 million of acquisition related costs for professional fees paid to lawyers, consultants, advisors and other related costs in respect of the acquisition of Freedom Mobile (formerly, WIND Mobile) which closed on March 1, 2016.

Other losses generally include realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a net $82 million provision in respect of the Company's investment in shomi which announced a wind down of operations during the first quarter. In the prior year, the category also includes a write-down of $54 in respect of the Company's investment in shomi, a write-down of $20 in respect of a private portfolio investment and asset write-downs of $16.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 26.7% for 2017 and 26.7% for 2016 and was adjusted for the reconciling items identified in Note 23 to the Consolidated Financial Statements.

Earnings per share

(millions of Canadian dollars except per share amounts)	2017	2016	Change %
Net income	**851**	1,240	(31.4)
Weighted average number of participating shares outstanding during period (millions)	**491**	480	
Earnings per share			
Basic	**1.72**	2.51	
Diluted	**1.71**	2.51	

Net income

Net income was $851 million in 2017 compared to $1.24 billion in 2016. The year-over-year changes are summarized in the table below.

(millions of Canadian dollars)	
Increased operating income before restructuring costs and amortization	**19**
Increased restructuring costs	**(31)**
Increased amortization	**(103)**
Decreased interest expense	**10**
Increased equity income of an associate or joint venture	**134**
Change in other net costs and revenue(1)	**53**
Increased income taxes	**(12)**
Decreased income from discontinued operations, net of tax	**(459)**
	(389)

(1) Net other costs and revenue includes business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs and other losses as detailed in the Consolidated Statements of Income.

Net other costs and revenues had a $53 million favourable impact on net income primarily due to amounts incurred in fiscal 2016 related to the following; $21 million for the acquisition of Freedom Mobile (formerly, WIND Mobile), the impairment of the Company's joint venture in shomi of $54 million, and the write-down of private portfolio investment. See "Other income and Expense" for further detail on non-operating items.

SEGMENTED OPERATIONS REVIEW

CONSUMER

Financial Highlights

(millions of Canadian dollars)	2017	2016	Change %
Revenue	**3,747**	3,752	(0.1)
Operating income before restructuring costs and amortization(1)	**1,583**	1,667	(5.0)
Operating margin(1)	**42.2%**	44.4%	(2.2pts)

(1) Refer to key performance drivers.

The Consumer division added a net 25,321 RGUs in the year representing a substantial turnaround over the 170,032 RGU loss in fiscal 2016. Net gains in the year included the addition of approximately 73,367 Internet RGUs partially offset by net losses in Phone of 31,232 and 17,032 in satellite Video RGUs. The successful reversal of subscriber trends has been led by WideOpen Internet 150, our cable Video portfolio including the introduction of BlueSky TV, and compelling bundle and value plan offerings across all product lines.

Consumer revenue for the year of $3.8 billion was comparable to last year. The effect of price adjustments and subscriber growth in Internet was fully offset by lower Phone and Satellite video RGUs, elevated promotional activity and change in Video product mix.

Operating income before restructuring costs and amortization of $1.58 billion decreased 5.0% over the prior year. The year-to-date result was affected primarily by elevated promotional activity and change in Video product mix in addition to higher programming costs as well as higher planned marketing costs driving Internet and BlueSky TV.

WIRELESS

Financial Highlights

(millions of Canadian dollars)	2017	2016	Change %
Revenue	**605**	280	>100.0
Operating income before restructuring costs and amortization[(1)]	**133**	59	>100.0
Operating margin[(1)]	**22.0%**	21.1%	0.9pts

(1) Refer to key performance drivers.

In Wireless, the Company continued to grow postpaid and prepaid wireless subscribers, gaining a combined 103,885 RGUs in the year. An expanded handset lineup, simplified packaging and pricing on the new LTE-Advanced network, and targeted seasonal promotional activity helped drive sequential and year-over-year subscriber growth while collectively contributing to the compelling value proposition of Freedom Mobile's offering to thousands of value-conscious Canadians.

Revenue for the twelve-month period of $605 million increased $325 million from $280 million for the comparable period in fiscal 2016. The year-over-year improvement in revenue was primarily due to recognizing revenues for the whole twelve-month period in fiscal 2017 as compared to $280 million in the six-month period for fiscal 2016 following the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016. Fiscal 2017 incremental revenue was driven by RGU and ARPU growth in which a net 97,063 postpaid subscribers and 6,822 prepaid subscribers were added representing a 10% increase and a fourth quarter ARPU of $37.66. ARPU of $37.00 for the full fiscal year compared to $36.84 for the six-month period following the fiscal 2016 acquisition, reflecting a higher proportionate share of postpaid subscribers.

Operating income before restructuring costs and amortization of $133 million increased $74 million over $59 million from fiscal 2016. The year-over-year improvement was primarily due to contributions for the twelve-month period in fiscal 2017 compared to $59 million for the six-month period in fiscal 2016 following the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016. Revenue growth from RGU net additions, ARPU increases, and operational efficiencies achieved following the May 2017 restructuring were partially offset by the costs related to new customer onboarding and network related costs.

BUSINESS NETWORK SERVICES

Financial Highlights

(millions of Canadian dollars)	2017	2016	Change %
Revenue	**554**	515	7.6
Operating income before restructuring costs and amortization[(1)]	**281**	252	11.5
Operating margin[(1)]	**50.7%**	48.9%	1.8pts

(1) Refer to key performance drivers.

Revenue of $554 million was 7.6% higher over the prior year primarily due to customer growth in both small to medium size businesses and in large enterprise markets, as well as an August 2017 rate increase for legacy Video, Internet and Phone products. The core business, excluding satellite services, increased revenues 8.9% on a full year basis, reflecting continued customer growth converting to or adding Shaw's Smart suite of products.

Operating income before restructuring costs and amortization of $281 million improved 11.5% over the comparable year due to consistent profitable customer growth trends throughout fiscal 2017 and cost reductions specifically related to programming, professional fees and efficiencies achieved through optimized sales and operational resources. Operating income before restructuring and amortization for the core business, excluding satellite services, increased by 11.6% on a full year basis.

CAPITAL EXPENDITURES AND EQUIPMENT COSTS

	Year ended August 31,		
(millions of Canadian dollars)	2017	2016	Change %
Consumer and Business Network Services			
New housing development	**98**	105	(6.7)
Success based	**308**	278	10.8
Upgrades and enhancements	**432**	411	5.1
Replacement	**31**	43	(27.9)
Buildings and other	**101**	91	11.0
Total as per Note 24 to the audited annual consolidated financial statements	**970**	928	4.5
Wireless			
Total as per Note 24 to the audited annual consolidated financial statements	**255**	121	110.7
Consolidated total as per Note 24 to the audited annual consolidated financial statements	**1,225**	1,049	16.8

Capital investment from continuing operations was $1.2 billion in the current year compared to $1.1 billion in fiscal 2016. The increase was driven primarily by incremental success based capital in each of the Consumer and Business Network Services divisions in addition to a full year of capital investment in the Wireless division relating primarily to investment for the continued improvement in network infrastructure, specifically the rollout of the LTE-Advanced network.

Consumer and Business Network Services

Success based capital for the twelve-month period of $308 million was moderately higher than the comparable period last year. The current year increase in success based capital was due primarily to increased advanced Internet Wi-Fi modem spend and higher video equipment costs driven by subscriber installations, and higher Satellite success based capital spend driven by satellite network MPEG-4 upgrades. These increases were partially offset by lower installation labour costs across all product lines.

Capital spend on the combined upgrades and enhancement, and replacement categories was $463 million, a $9 million increase over fiscal 2016, reflecting the Company's continued investment in the wireline network including i) significant bandwidth and upgrade programs; ii) initial investment in support of Satellite MPEG-2 to MPEG-4 upgrade; and iii) investment in Business Network Services managed Wi-Fi and SmartVoice products. Increased investments were partly offset by lower capital spend due to timing of expenditures in the X1 video delivery platforms necessary to support BlueSky TV, decreased spend on Shaw Go WiFi access points, reduced spend on fleet replacement and lower drop upgrade costs.

Capital spend on new housing development of $98 million was comparable to the prior year as the Company continues to expand its network in developing communities.

Investment in buildings and other of $101 million for the twelve-month period was up $10 million over the comparable period.

Wireless

Capital investment in the Wireless division of $255 million for the twelve-month period was up $134 million over the prior year reflecting a full year of capital spend compared to six months in fiscal 2016. Fiscal 2017 investments relate to continued

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

improvements in network infrastructure primarily in the LTE-Advanced network upgrade project and to a lesser extent capital expenditures related to the upgrade of back office systems.

DISCONTINUED OPERATIONS

VIAWEST, INC.

On August 1, 2017, Shaw sold 100% of its wholly owned subsidiary ViaWest, Inc to Peak 10 for net cash proceeds of US$1.675 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services division are presented as discontinued operations separate from the Company's continuing operations.

	Year ended August 31,	
	2017	**2016**
Revenue	**336**	334
Eliminations(1)	**(2)**	(2)
	334	332
Operating, general and administrative expenses		
Employee salaries and benefits	**80**	84
Purchases of goods and services	**124**	123
	204	207
Eliminations(1)	**(2)**	(2)
	202	205
Amortization(2)	**103**	121
Interest on long-term debt	**32**	33
Amortization of transaction costs	**12**	2
Other losses	**–**	5
Income (loss) from discontinued operations before tax and gain on divestiture	**(15)**	(34)
Income taxes	**(6)**	(11)
Income (loss) from discontinued operations, net of tax, before gain on divestiture	**(9)**	(23)
Gain on divestiture, net of tax	**330**	–
Income (loss) from discontinued operations, net of tax	**321**	(23)

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

(2) As of the date ViaWest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the three and twelve month periods ended August 31, 2017 amounted to $16.

SHAW TRACKING

On May 31, 2017, the Company entered an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Business Network Services segment. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale for the period ended May 31, 2017. Accordingly, the assets and liabilities of the Shaw Tracking business are classified in the Consolidated Statement of Financial Position at August 31, 2017 as current assets held for sale or current liabilities held for sale, respectively, as the sale of these assets and liabilities is expected within one year. In addition, the operating results and operating cash flows of the business are presented as discontinued operations separate from the Company's continuing operations.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Subsequent to year-end, on September 15, 2017, the sale of these assets and liabilities was completed and net proceeds of approximately US$15 million were received.

	Year ended August 31,	
	2017	2016
Revenue	**33**	33
Operating, general and administrative expenses		
Employee salaries and benefits	**7**	7
Purchases of goods and services	**18**	17
	25	24
Restructuring	**3**	–
Amortization	**(2)**	(3)
Impairment of goodwill/disposal group	**32**	17
Income (loss) from discontinued operations before tax	**(25)**	(5)
Income taxes	**2**	3
Income (loss) from discontinued operations, net of tax	**(27)**	(8)

SHAW MEDIA

On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media to Corus, a related party subject to common voting control for $2.65 billion, comprised of $1.85 billion in cash and 71,364,853 Corus Class B non-voting participating shares. Accordingly, the operating results and operating cash flows for the previously reported Media division are presented as discontinued operations separate from the Company's continuing operations.

	Year ended August 31,	
	2017	2016
Revenue	–	610
Eliminations(1)	–	(46)
	–	564
Operating, general and administrative expenses		
Employee salaries and benefits	–	109
Purchases of goods and services(2)	–	272
	–	381
Eliminations(1)	–	(46)
	–	335
Restructuring costs	–	–
Amortization(2)	–	11
Accretion of long-term liabilities and provisions	–	2
Other losses	–	–
Income from discontinued operations before tax and gain on divestiture	–	216
Income taxes	–	57
Income from discontinued operations before gain on divestiture	–	159
Gain on divestiture	–	672
Income taxes on gain	–	47
Income (loss) from discontinued operations, net of tax	–	784

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

(2) As of the date the Media division met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in twelve-month period amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other.

FINANCIAL POSITION

Total assets were $14.4 billion at August 31, 2017. Following is a discussion of significant changes in the Consolidated Statement of Financial Position since August 31, 2016.

Current assets increased $242 million due to increases in cash of $102 million, accounts receivable of $18 million, inventories of $44 million, other current assets of $17 million and assets held for sale of $61 million. Cash increased as the cash outlay for financing activities was exceeded by the funds provided by operations and investing activities mainly relating to the ViaWest disposition. Inventories increased due to the acquisition of additional customer equipment to support the newly-launched BlueSky TV service. Other current assets increased due to the timing of payments related to prepaid expenses. Assets held for sale include the assets of the Shaw Tracking business for which the sale was completed subsequent to year-end, on September 15, 2017.

Investments and other assets increased $84 million primarily due to equity income and other comprehensive income of associates related to the Company's investment in Corus. Property, plant and equipment decreased $263 million due to the disposition of $491 million of ViaWest assets partially offset by capital investment in excess of amortization. Intangibles and goodwill decreased $1.1 billion due to the disposition of ViaWest assets of $1.4 billion and Shaw Tracking goodwill of $24 million reclassified as held for sale, partially offset by spectrum additions of $430 million and net software intangible additions.

Current liabilities decreased $427 million during the year due to decreases in current portion of long-term debt of $410 million, accounts payable and accrued liabilities of $31 million and income taxes payable of $34 million, partially offset by increases of $13 million in current provisions and $39 million in liabilities held for sale. Current portion of long-term debt decreased due to the repayment of $400 million 5.7% senior note at maturity on March 2, 2017. Accounts payable and accruals decreased mainly due to the disposition of ViaWest partially offset by the timing of payment and fluctuations in various payables including capital expenditures and interest. Income taxes payable decreased due to tax installment payments, partially offset by the current period provision. Current provisions increased primarily due to unpaid amounts relating to network fees and restructuring.

Long-term debt decreased $902 million primarily due to the repayment of US$846 million in bank loans related to the sale of ViaWest and the disposition of ViaWest partially offset by the issuance of $300 million fixed rate senior notes at a rate of 3.80% due March 1, 2027. The $300 million proceeds from the issuance of the fixed rate senior notes, together with cash on hand, was used to repay the $400 million senior note due on March 2, 2017.

Shareholders' equity increased $456 million primarily due to an increase in share capital of $291 million and an increase in retained earnings of $256 million partially offset by an increase in accumulated other comprehensive loss of $79 million. Share capital increased due to the issuance of 10,523,349 Class B non-voting participating shares ("Class B Non-Voting Shares") under the Company's option plan and Dividend Reinvestment Plan ("DRIP").

As at November 15, 2017, share capital is as reported at August 31, 2017 with the exception of the issuance of a total of 2,105,118 Class B Non-Voting Shares upon exercise of options under the Company's option plan and the issuance of shares under the Company's dividend reinvestment plan. Retained earnings decreased due to dividends of $397 million, partially offset by current year earnings of $851 million. Accumulated other comprehensive loss increased due to the net effect of reclassifying the accumulated exchange differences arising on the translation of ViaWest and US dollar denominated debt designated as a hedge of the Company's net investment in those foreign operations due to the sale of ViaWest in the quarter as well as re-measurements recorded on employee benefit plans and the Company's share of other comprehensive income of associates.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2017	2016	Change %
Funds flow from operations	**1,530**	1,388	10.2
Net change in non-cash working capital balances related to operations	**(110)**	53	(>100.0)
Operating activities of discontinued operations	**82**	222	(63.1)
	1,502	1,663	(9.7)

On a year-to-date basis, funds flow from operations decreased over the comparable period primarily due to higher amortization, higher restructuring costs, higher income tax expense and lower operating income of discontinued operations partially offset by higher operating income before restructuring costs and amortization, higher equity income on investees, lower business acquisition costs and lower pension funding. The net change in non-cash working capital balances related to operations fluctuated over the comparative periods due to changes in accounts receivable and other current asset balances and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2017	2016	Decrease
Cash flow used in investing activities	**49**	(1,227)	1,276

For the twelve month period ended August 31, 2017, cash used in investing activities decreased over the comparable period due primarily to the US$1.675 billion in proceeds received on the sale of Viawest partially offset by the $245 million net impact of the acquisition of Freedom Mobile (formerly, WIND Mobile) and sale of Media in the prior year, the purchase of $430 million in spectrum licences in the current year and higher cash outlays for inventory and capital expenditures in the current year. The twelve-month period also includes the $223 acquisition of INetU in the prior year which was included in the sale of Viawest in the current year.

Financing activities

The changes in financing activities during 2017 and 2016 were as follows:

(millions of Canadian dollars)	2017	2016
Bank loans – net borrowings (repayments)	**(475)**	67
Repay 5.70% Senior unsecured notes	**(400)**	–
Issuance of 3.80% Senior unsecured notes	**300**	–
Repay Cdn variable rate senior notes	**–**	(300)
Issuance of 3.15% senior unsecured notes	**–**	300
Repay 6.15% Senior unsecured notes	**–**	(300)
Senior notes issuance cost	**(2)**	(2)
Freedom Mobile finance lease obligations	**(2)**	(1)
Bank facility arrangement costs	**(2)**	(6)
Dividends	**(393)**	(393)
Issuance of Class B Non-Voting Shares	**77**	38
Financing activities of discontinued operations	**(551)**	168
	(1,448)	(429)

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $438 million of free cash flow, including $7 million of free cash flow from discontinued operations. Shaw used its free cash flow along with US$1.675 billion net proceeds on the sale of ViaWest, $300 million proceeds from a senior note issuance, borrowings of $350 million under its credit facilities, borrowings of $40 million under ViaWest's credit facility and proceeds on issuance of Class B Non-Voting Shares of $77 million to repay at maturity $400 million 5.7% senior notes, repay $824 million borrowings under its credit facilities, repay $588 million borrowings under ViaWest's credit facilities, fund the net working capital change of $160 million, pay common share dividends of $385 million, make $180 million in financial investments, purchase $430 million in spectrum licences, and pay $54 million in restructuring costs.

The Company issued Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $198 million during the twelve months ending August 31, 2017. On December 16, 2016, the Company amended its DRIP to permit eligible shareholders who are residents of the United States to enrol their Class A Participating Shares and Class B Non-voting Participating Shares in the DRIP. Prior to this amendment, the DRIP was only available to eligible shareholders who were residents of Canada.

Debt structure and financial policy

Shaw structures its borrowings generally on a standalone basis and are unsecured. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

As at August 31, 2017, the net debt leverage ratio for the Company is 1.9 times as compared to 2.7 times at August 31, 2016. Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5x would be optimal leverage for the Company in the current environment. Should the ratio fall below this, other than on a temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

The Company calculates net debt leverage ratio as follows[1]:

(millions of Canadian dollars)	2017	2016
Current portion of Long-Term Debt	**2**	412
Long-Term Debt	**4,298**	5,200
50% of Outstanding Preferred Shares	**147**	147
Cash	**(507)**	(405)
(A) Net Debt[3]	**3,940**	5,354
Operating income before restructuring costs and amortization[2]	**1,997**	1,978
Corus Dividends	**88**	34
(B) Adjusted operating income before restructuring costs and amortization[3]	**2,085**	2,012
(A/B) Net debt leverage ratio[2]	**1.9x**	2.7x

(1) The following contains a description of the Company's use of non-IFRS financial measures provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

(2) Refer to key performance drivers.

(3) These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies and have not been presented as an alternative to liquidity prescribed by IFRS.

Shaw's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios. At August 31, 2017 Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

	Covenant Limit
Shaw Credit Facilities	
Total Debt to Operating Cash Flow(1) Ratio	< 5.00:1
Operating Cash Flow(1) to Fixed Charges(2) Ratio	> 2.00:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense for the most recently completed fiscal quarter multiplied by four.

On June 30, 2016, 1,987,607 of the Company's Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") were converted into an equal number of Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares") in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company has 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. The Series A Shares will continue to be listed on the TSX under the symbol SJR.PR.A. The Series B Shares began trading on the TSX on June 30, 2016 under the symbol SJR.PR.B. The annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five-year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 290, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%

The floating quarterly dividend rate will be reset quarterly.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations, including maturing debt, during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Off-balance sheet arrangement and guarantees

Guarantees

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 25 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2017 are detailed in the following table.

Contractual Obligations

	Payments due by period				
(millions of Canadian dollars)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Long-term debt[1]	7,044	242	1,667	1,079	4,056
Operating obligations[2]	1,310	359	458	221	272
Purchase obligations[3]	921	921	–	–	–
Other obligations[4]	1	1	–	–	–
	9,276	1,523	2,125	1,300	4,328

(1) Includes principal repayments and interest payments.

(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and premises and exclusive rights to use intellectual property in Canada.

(3) Includes capital expenditure and inventory purchase commitments.

(4) Includes other non-current financial liabilities.

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating shares ("**Class A Shares**"); an unlimited number of Class B Non-Voting participating shares (the "**Class B Non-Voting Shares**"); an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "**Series A Shares**") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "**Series B Shares**"). The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

As at November 15, 2017, there were 476,455,979 Class B Non-Voting Shares, 10,012,393 Series A Shares, and 1,987,607 Series B Shares and 22,420,064 Class A Shares issued and outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

Shaw Communications Inc.
Management's Discussion and Analysis
August 31, 2017

The following table sets forth, for each month during the fiscal year ending August 31, 2017, the monthly price range and volume traded for the Class B Non-Voting Shares, Series A Shares and Series B Shares on the Toronto Stock Exchange (TSX) and for the Class A Shares on the TSX Venture Exchange (TSXV).

	Class A Shares[(1)] TSX Venture-SJR.A			Class B Non-Voting Shares[(1)] TSX-SJR.B			Series A Shares[(1)] TSX-SJR.PR.A			Series B Shares[(1)] TSX-SJR.PR.B		
	High	Low	Volume	High	Low	Volume	High	Low	Volume	High	Low	Volume
Sep 2016	33.29	28.37	2,278	27.01	25.75	18,025,361	14.55	13.60	92,065	13.99	12.91	85,835
Oct 2016	35.95	30.00	18,437	27.00	26.00	20,708,676	14.47	13.75	228,347	13.54	12.75	39,064
Nov 2016	31.47	30.02	2,780	26.97	25.70	18,016,399	14.54	13.86	235,978	14.24	13.00	92,685
Dec 2016	31.36	29.78	4,998	27.32	25.97	19,390,734	15.34	14.14	291,467	14.50	13.50	84,568
Jan 2017	33.25	30.28	6,587	28.42	26.91	16,680,110	15.99	14.73	212,945	15.94	14.40	146,187
Feb 2017	33.70	30.06	6,805	28.63	27.51	17,465,390	17.09	15.54	233,728	16.98	15.55	34,611
Mar 2017	33.50	30.85	6,238	27.95	26.91	21,593,786	17.24	16.33	365,556	17.54	16.55	41,977
Apr 2017	33.00	29.90	4,020	29.12	27.16	15,171,547	17.14	16.26	174,099	17.20	16.06	31,915
May 2017	33.93	31.10	3,737	29.47	28.09	15,710,212	16.67	15.75	146,372	16.26	15.66	162,472
Jun 2017	34.45	32.33	3,160	30.44	27.95	27,646,419	17.44	15.78	150,415	16.82	15.51	162,787
Jul 2017	34.00	31.00	2,935	28.20	27.50	16,697,158	17.30	16.82	63,911	17.58	16.48	27,456
Aug 2017	32.00	28.80	11,696	28.21	27.40	15,454,366	17.39	16.73	158,409	17.59	16.85	32,480

(1) Trading price and volume data is obtained from the TMX group

Share Splits

There have been four splits of the Company's Class A and Class B Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2017 Annual Information Form can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investors/Corporate Governance/ Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Chief Executive Officer and Chief Financial Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting.

As at August 31, 2017, the Company's management, together with its Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and internal control over financial reporting. Based on these evaluations, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures and the Company's internal control over financial reporting are effective.

There were no changes in the Company's internal control over financial reporting during the fiscal year that have materially affected or are reasonably likely to materially affect Shaw's internal control over financial reporting.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Shaw Communications Inc.
Management's Responsibility For Financial Statements And Report On Internal Control Over Financial Reporting

November 28, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Shaw Communications Inc.
Management's Responsibility For Financial Statements And Report On Internal Control Over Financial Reporting

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2017.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Vito Culmone
Executive Vice President and Chief Financial Officer

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Shaw Communications Inc.:

We have audited the accompanying consolidated financial statements of Shaw Communications Inc., which comprise the consolidated statements of financial position as at August 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shaw Communications Inc. as at August 31, 2017 and 2016, and its financial performance and its cash flows for the years ended August 31, 2017 and 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other matter
We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Shaw Communication Inc.'s internal control over financial reporting as of August 31, 2017, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework and our report dated November 28, 2017 expressed an unqualified opinion on Shaw Communications Inc.'s internal control over financial reporting.

Calgary, Canada
November 28, 2017

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROLS UNDER STANDARDS OF THE PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (UNITED STATES)

To the Shareholders of Shaw Communications Inc.:

We have audited Shaw Communications Inc.'s internal control over financial reporting as at August 31, 2017, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework (the COSO criteria). Shaw Communications Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the company are being made only in accordance with authorization of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Shaw Communications Inc. maintained, in all material respects, effective internal control over financial reporting as at August 31, 2017, based on the COSO criteria.

We have also audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Accounting Oversight Board (United States), the consolidated statements of financial position of Shaw Communications Inc. as at August 31, 2017 and 2016, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended August 31, 2017 and 2016, and our report dated November 28, 2017 expressed an unqualified opinion thereon.

Calgary, Canada
November 28, 2017

Chartered Professional Accountants

Ernst & Young LLP

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

[millions of Canadian dollars]	August 31, 2017	August 31, 2016 (restated, note 2)	September 1, 2015 (restated, note 2)
ASSETS			
Current			
Cash	**507**	405	398
Accounts receivable *[note 4]*	**286**	268	468
Inventories *[note 5]*	**109**	65	60
Other current assets *[note 6]*	**155**	138	78
Assets held for sale *[note 3]*	**61**	–	5
	1,118	876	1,009
Investments and other assets *[notes 7 and 28]*	**937**	853	97
Property, plant and equipment *[note 8]*	**4,344**	4,607	4,220
Other long-term assets *[note 9]*	**255**	275	259
Deferred income tax assets *[note 23]*	**4**	6	14
Intangibles *[note 10]*	**7,435**	7,450	7,459
Goodwill *[note 10]*	**280**	1,315	1,688
	14,373	15,382	14,746
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities *[note 11]*	**913**	944	887
Provisions *[note 12]*	**46**	33	52
Income taxes payable	**181**	215	195
Unearned revenue	**211**	215	196
Current portion of long-term debt *[notes 13 and 28]*	**2**	412	608
Liabilities held for sale *[note 3]*	**39**	–	–
	1,392	1,819	1,938
Long-term debt *[notes 13 and 28]*	**4,298**	5,200	5,061
Other long-term liabilities *[notes 14 and 26]*	**114**	135	186
Provisions *[note 12]*	**67**	53	10
Deferred credits *[note 15]*	**490**	563	588
Deferred income tax liabilities *[note 23]*	**1,858**	1,914	1,914
	8,219	9,684	9,697
Commitments and contingencies *[notes 13, 25 and 26]*			
Shareholders' equity			
Common and preferred shareholders	**6,153**	5,697	4,812
Non-controlling interests in subsidiaries	**1**	1	237
	6,154	5,698	5,049
	14,373	15,382	14,746

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31, (millions of Canadian dollars except per share amounts)	2017 $	2016 $
Revenue *[note 24]*	**4,882**	4,518
Operating, general and administrative expenses *[note 21]*	**(2,885)**	(2,540)
Restructuring costs *[notes 12 and 21]*	**(54)**	(23)
Amortization:		
Deferred equipment revenue *[note 15]*	**38**	52
Deferred equipment costs *[note 9]*	**(122)**	(139)
Property, plant and equipment, intangibles and other *[notes 8,9,10 &15]*	**(860)**	(753)
Operating income from continuing operations	**999**	1,115
Amortization of financing costs – long-term debt *[note 13]*	**(2)**	(3)
Interest expense *[notes 13 and 24]*	**(258)**	(268)
Business acquisition costs *[note 3]*	**–**	(21)
Equity income (loss) of an associate or joint venture *[note 7]*	**73**	(61)
Other losses *[note 22]*	**(65)**	(97)
Income from continuing operations before income taxes	**747**	665
Current income tax expense *[note 23]*	**151**	243
Deferred income tax recovery *[note 23]*	**39**	(65)
Net income from continuing operations	**557**	487
Income from discontinued operations, net of tax *[note 3]*	**294**	753
Net income	**851**	1,240
Net income from continuing operations attributable to:		
Equity shareholders	**557**	487
Income (loss) from discontinued operations attributable to:		
Equity shareholders	**294**	733
Non-controlling interests in subsidiaries held for sale	**–**	20
	294	753
Basic earnings per share *[note 18]*		
Continuing operations	**1.12**	0.99
Discontinued operations	**0.60**	1.52
	1.72	2.51
Diluted earnings per share *[note 18]*		
Continuing operations	**1.11**	0.99
Discontinued operations	**0.60**	1.52
	1.71	2.51

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31 [millions of Canadian dollars]	2017 $	2016 $
Net income	**851**	1,240
Other comprehensive income (loss) *[note 20]*		
Items that may subsequently be reclassified to income:		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(7)**	1
Adjustment for hedged items recognized in the period	**(2)**	–
Reclassification of loss on available-for-sale investment to income	**–**	4
Share of other comprehensive income of associates	**13**	(5)
Discontinued operations:		
Exchange differences on translation of a foreign operation	**(50)**	(7)
Exchange differences on US denominated debt hedging a foreign operation	**24**	4
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	**(82)**	–
	(104)	(3)
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans:		
Continuing operations	**25**	(36)
Discontinued operations	**–**	(8)
	(79)	(47)
Comprehensive income	**772**	1,193
Comprehensive income attributable to:		
Equity shareholders	**772**	1,173
Non-controlling interests in subsidiaries	**–**	20
	772	1,193

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2017

[millions of Canadian dollars]	Attributable to equity shareholders					Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total		
Balance as at September 1, 2016	**3,799**	**42**	**1,908**	**(52)**	**5,697**	**1**	**5,698**
Net income	**–**	**–**	**851**	**–**	**851**	**–**	**851**
Other comprehensive loss	**–**	**–**	**–**	**(79)**	**(79)**	**–**	**(79)**
Comprehensive income	**–**	**–**	**851**	**(79)**	**772**	**–**	**772**
Dividends	**–**	**–**	**(397)**	**–**	**(397)**	**–**	**(397)**
Dividend reinvestment plan	**198**	**–**	**(198)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**93**	**(15)**	**–**	**–**	**78**	**–**	**78**
Share-based compensation	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Balance as at August 31, 2017	**4,090**	**30**	**2,164**	**(131)**	**6,153**	**1**	**6,154**

Year ended August 31, 2016

[millions of Canadian dollars]	Attributable to equity shareholders					Equity attributable to non-controlling interests	Total equity
	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total		
Balance as at September 1, 2015	3,500	45	1,286	(19)	4,812	237	5,049
Net income	–	–	1,220	–	1,220	20	1,240
Other comprehensive loss	–	–	–	(47)	(47)	–	(47)
Comprehensive income	–	–	1,220	(47)	1,173	20	1,193
Dividends	–	–	(396)	–	(396)	–	(396)
Dividend reinvestment plan	188	–	(188)	–	–	–	–
Shares issued under stock option plan	43	(6)	–	–	37	–	37
Share-based compensation	–	3	–	–	3	–	3
Business acquisition	68	–	–	–	68	–	68
Distributions declared by subsidiaries to non-controlling interests	–	–	–	–	–	(12)	(12)
Derecognition/reclass on sale of discontinued operation *[note 3]*	–	–	(14)	14	–	(244)	(244)
Balance as at August 31, 2016	3,799	42	1,908	(52)	5,697	1	5,698

See accompanying notes

Shaw Communications Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31 [millions of Canadian dollars]	2017 $	2016 $
OPERATING ACTIVITIES		
Funds flow from operations *[note 29]*	**1,530**	1,388
Net change in non-cash balances related to continuing operations	**(110)**	53
Operating activities from discontinued operations	**82**	222
	1,502	1,663
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 24]*	**(999)**	(863)
Additions to equipment costs (net) *[note 24]*	**(73)**	(83)
Additions to other intangibles *[note 24]*	**(111)**	(108)
Net decrease (increase) to inventories	**(48)**	19
Business acquisitions, net of cash acquired *[note 3]*	**–**	(1,553)
Proceeds on sale of discontinued operations, net of costs and cash sold	**1,905**	1,798
Purchase of spectrum licences	**(430)**	–
Additions to investments and other assets	**(92)**	(71)
Distributions received and proceeds from sale of investments	**6**	6
Proceeds on disposal of property, plant and equipment *[notes 24 and 29]*	**–**	6
Investing activities of discontinued operations	**(109)**	(378)
	49	(1,227)
FINANCING ACTIVITIES		
Increase in long-term debt	**1,233**	1,717
Debt repayments	**(1,810)**	(1,951)
Bank credit facility arrangement costs	**(4)**	(8)
Issue of Class B Non-Voting Shares	**77**	38
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(385)**	(380)
Dividends paid on Series A Preferred Shares	**(8)**	(13)
Financing activities of discontinued operations	**(551)**	168
	(1,448)	(429)
Effect of currency translation on cash balances	**(1)**	–
Increase (decrease) in cash	**102**	7
Cash, beginning of year	**405**	398
Cash of continuing operations, end of year	**507**	405

See accompanying notes

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications and Satellite video services to residential customers ("Consumer"); data networking, Cable telecommunications, and Satellite video services to businesses and public sector entities ("Business Network Services"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto and New York Stock Exchanges. The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2017 and 2016, were approved by the Board of Directors and authorized for issue on November 28, 2017.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of the acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company has classified its approximate 39% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors.

The Company has classified its 50% interest in the Shomi Partnership ("shomi") as an investment in a joint venture after considering the terms and conditions of the partnership.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue and/or customer premise equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from Video, Internet, Phone, Direct-to-Home ("DTH") and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Subscriber connection fees received from Video, Internet, and Phone customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span 2-10 years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenues earned in connection with the services is applied against the up-front discount provided on the handset. The Company also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time. The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statement of financial position.

Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values. Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and digital cable terminals (“DCTs”) is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company’s customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use (“IRU”) agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company’s revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company’s past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable, Wireless and telecommunications distribution system	3-20 years
Digital cable terminals and modems	2-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Transmitters, broadcasting and communication equipment	5-15 years
Buildings	15-40 years
Data centre infrastructure	3-21 years
Data processing	4-10 years
Other	4-20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to Note 3 for further information regarding the Company's discontinued operations.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) multi-year service plan discounts, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over the term of the plan, (iii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iv) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (v) long-term receivables, (vi) network capacity leases, (vii) the non-current portion of prepaid maintenance and support contracts and (viii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Program rights represent licenced rights acquired to broadcast television programs on the Company's conventional and specialty television channels and program advances are in respect of payments for programming prior to the window licence start date. For licenced rights, the Company records a liability for program rights and corresponding asset when the licence period has commenced and all of the following conditions have been met: (i) the cost of the program is known or reasonably determinable, (ii) the program material has been accepted by the Company in accordance with the licence agreement and (iii) the material is available to the Company for telecast. Program rights are expensed on a systematic basis generally over the estimated exhibition period as the programs are aired and are included in operating, general and administrative expenses. Program rights are segregated on the statement of financial position between current and noncurrent based on expected life at time of acquisition.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6% (2016 – 6%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at March 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. The Company had two additional cash generating units, Media, until the sale of the division in April 2016 and data centres, until the sale of Viawest in August 2017. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

CRTC benefit obligations

The fair value of CRTC benefit obligations committed as part of business acquisitions are initially recorded at the present value of amounts to be paid net of any expected incremental cash inflows. The obligation is subsequently adjusted for the incurrence of related expenditures, the passage of time and for revisions to the timing of the cash flows. Changes in the obligation due to the passage of time are recorded as accretion of long-term liabilities and provisions in the income statement.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) connection fee revenue, initial setup fees and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, and (iv) a deposit on a future fibre sale.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain/(loss) recognized on the translation and settlement of current monetary assets and liabilities was $12 (2016 – $1) and is included in other losses.

The functional currency of the Company's discontinued foreign operations was US dollars. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, were translated into Canadian dollars using the foreign exchange rate at the end of the reporting period. Revenue and expenses were translated using average foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation were included in other comprehensive income/loss and accumulated in equity and reclassified to net income in the period the foreign operations were disposed of.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

A net investment hedge of the discontinued foreign operation was accounted for similarly to a cash flow hedge. The Company designated certain US dollar denominated debt as a hedge of its net investment in foreign operations where the US dollar was the functional currency. Unrealized gains and losses arising from translation of the US dollar denominated debt were included in other comprehensive income/loss and accumulated in equity and reclassified to net income in the period the foreign operations were disposed of.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective August 31, 2017 and the next actuarial valuations for funding purposes are effective August 31, 2018.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit ("RSU") plan for officers and employees of the Company. RSUs vest on the first, second and third anniversary of the grant date and compensation is recognized on a straight-line basis over the three-year vesting period. RSUs will be settled in cash and the obligation for RSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions, increasing to 33% once an employee reaches 10 years of continuous service, and records such amounts as compensation expense.

Share appreciation rights ("SARs") issued by a subsidiary to eligible employees were cash settled and measured at fair value using the Black-Scholes option pricing model. The fair value was recognized over the vesting period of the SARs by applying the graded vesting method, adjusting for estimated forfeitures. The obligation for SARs was remeasured at the end of each period up to the date of settlement which required a reassessment of the estimates used at the end of each reporting period.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgements

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgements which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgement and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Contractual service revenue

The Company is required to make an estimate of the total amount of contractual service revenue when offering discounts on multi-year service plans. The estimated revenue is a matter of judgement and the total revenue earned over the period may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, customer and economic conditions.

(iii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgement. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgement is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iv) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgements to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(v) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or market approach. Where a DCF analysis is used, significant judgements are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licences, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the CGU for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(vi) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the

Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vii) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probability weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(viii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, and Wireless. The Company had two additional CGUs, Media, until the sale of the division in April 2016 and data centres, until the sale of Viawest in August 2017.

(ii) Broadcast rights and licences and spectrum licences – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licences (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licences issued by the Department of Innovation, Science and Economic Development (formerly, Industry Canada). While these licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2016 had no impact on the Company's consolidated financial statements.

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets)* prohibits revenue from being used as a basis to depreciate property, plant and equipment and significantly limits use of revenue-based amortization for intangible assets. The amendments were applied prospectively for the annual period commencing September 1, 2016.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018, however earlier application is permitted.
- IAS 7 *Statement of Cash Flows* was amended in 2016 to improve disclosures regarding changes in financing liabilities. It is required to be applied for annual period beginning on or after January 1, 2017.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing January 1, 2018. We are assessing the impact of this standard on our consolidated financial statements.
- IAS 12 *Income Taxes* was amended in 2016 to clarify how to account for deferred tax assets related to debt instruments measured at fair value. It is required to be applied for annual periods commencing January 1, 2017.
- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

  The application of IFRS 15 will impact the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers. IFRS 15 requires the estimation of total consideration to be received over the contract term at contract inception, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over time. The Company currently expenses such costs as incurred.

  The Company's financial position will also be impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers. While similar differences are recognized currently, IFRS 15 introduces additional requirements and disclosures specific to contracts with customers.

  Shaw continues to evaluate the impacts of IFRS 15 and preparations are underway for the adoption of the new standard. Initial planning and scoping efforts were conducted during 2017, with ongoing development of the required accounting policies, significant judgements and estimates, processes, information systems and internal controls expected to continue throughout the Company's 2018 fiscal year. In connection with these development efforts, the Company also expects a significant historical data gathering initiative will be required to identify and account for multi-year contracts with customers at the date of adoption. At this stage in the Company's IFRS 15 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  The new standard is effective for annual periods beginning on or after January 1, 2018, which for the Company will be the annual period commencing September 1, 2018, and must be applied either retrospectively or on a modified retrospective basis for all contracts that are not complete as at that date. The Company continues to evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.
- IFRS 16 *Leases* requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as

[all amounts in millions of Canadian dollars except share and per share amounts]

finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, with early adoption permitted if IFRS 15 *Revenue from Contracts with Customers* has been adopted. The Company will evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.

- IFRIC 23, *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019.

Change in accounting policy

In November 2016, the IFRS Interpretations Committee ("the Committee") published a summary of its meeting discussion regarding a request to clarify how an entity determines the expected manner of recovery of an intangible asset with an indefinite useful life for the purposes of measuring deferred tax in accordance with IAS 12 *Income Taxes*. Although the Committee decided not to add this issue to its agenda, the Committee noted that an intangible asset with an indefinite useful life is not a non-depreciable asset because a non-depreciable asset has an unlimited (or infinite) life, and that indefinite does not mean infinite. Consequently, the fact that an entity does not amortize an intangible asset with an indefinite useful life does not necessarily mean that the entity will recover the carrying amount of that asset only through sale and not through use. As such, the Company changed retrospectively its accounting policy for the accounting of deferred tax on intangible assets with indefinite useful lives to be in line with the Committee discussions.

The following table summarizes the impact of this change of accounting policy on previously reported consolidated statements of financial position. The change in accounting policy did not have an impact on the previously reported consolidated statements of income or consolidated statements of cash flows.

Increase (decrease) to previously reported amounts	**As at August 31,**	
	2016	**2015**
Goodwill	143	182
Deferred income tax liabilities	740	779
Retained earnings[(1)]	(597)	(597)

(1) Included in Shareholders' equity – Common and preferred shareholders

3. BUSINESS ACQUISITIONS, ASSET DISPOSITIONS AND ASSET HELD FOR SALE

Business acquisitions

Mid-Bowline Group Corp. (and its wholly owned subsidiary, Freedom Mobile Inc.)

On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary Freedom Mobile Inc. (collectively, "Freedom", previously, WIND Mobile Corp.) for enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company's credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares. The acquisition of Freedom is a significant step in the Company's drive for growth and positions the Company to be a leading pure-play provider of connectivity that is focused on delivering consumer and business communications supported by best-in-class wireline, WiFi, wireless and data infrastructure.

[all amounts in millions of Canadian dollars except share and per share amounts]

The operating results of Freedom are included in the Company's consolidated financial statements from the date of acquisition. Freedom contributed $280 revenue and $11 net income for the period from March 1, 2016 to August 31, 2016. If the acquisition had closed on September 1, 2015, Freedom revenue and net income would have approximated $541 and $15, respectively. In connection with the transaction, the Company incurred $20 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

The fair value of purchase consideration consisted of $1,588 in cash and $68 in shares issued in connection with the acquisition. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash	35
Accounts receivable(1)	12
Inventories	24
Other current assets	58
Property, plant and equipment	277
Other long term assets	19
Intangibles(2)	1,560
Goodwill, not deductible for tax(3)(5)	201
	2,186
Accounts payable and accrued liabilities	110
Unearned revenue	9
Current debt(4)	3
Long-term debt(4)	2
Provisions	43
Deferred income taxes(5)	363
	1,656

(1) Accounts receivable consist of $23 gross contractual amounts receivable from customers less $11 not expected to be collected.

(2) Intangibles include wireless spectrum licences, subscriber relationships and software assets.

(3) Goodwill comprises the value of growth opportunities created through the combination of businesses and networks, a strong management team and an assembled workforce.

(4) Current and long-term debt is comprised of finance lease obligations in respect of certain equipment.

(5) Goodwill and Deferred income taxes increased $136 from amounts reported in fiscal 2016 as a result of the change in accounting policy referenced in Note 2.

INetU, Inc.

On December 15, 2015, ViaWest (a discontinued operation for fiscal 2017 reporting) closed the acquisition of 100% of the shares of INetU, Inc. ("INetU") for US$162 which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility. INetU is a solutions provider of public, private and hybrid cloud environments in addition to offering managed security and compliance services. The acquisition of INetU allowed ViaWest to add new services to its cloud and managed offerings, and to expand its geographical footprint with eastern U.S. and European cloud locations.

[all amounts in millions of Canadian dollars except share and per share amounts]

INetU contributed $32 revenue and $14 net income to the results of discontinued operations for the period from December 15, 2015 to August 31, 2016. If the acquisition had closed on September 1, 2015, revenue and net income would have been approximately $46 and $18, respectively.

In connection with the transaction, the Company incurred $1 of acquisition related costs for professional fees paid to lawyers, consultants and advisors.

The purchase consideration consisted of $223 in cash. A summary of net assets and allocation of consideration is as follows:

	$
Net assets acquired at assigned fair values	
Cash and cash equivalents	–
Receivables	4
Other current assets	1
Property and equipment	25
Intangibles(1)	68
Goodwill, not deductible for tax(2)	166
	264
Current liabilities	7
Deferred income taxes	34
	223

(1) Intangibles include customer relationships and software assets.

(2) Goodwill comprises the value of growth opportunities created through the combination of businesses, a strong management team and an assembled workforce. Goodwill decreased $8 at August 31, 2016 due to translation using the period end foreign exchange rate.

Other

Effective October 31, 2015, the Company acquired the assets of a small cable system serving approximately 1,300 video subscribers in British Columbia. The cash consideration of $2 has been allocated to property, plant and equipment and broadcast rights.

Asset dispositions

Sale of ViaWest

In the fourth quarter of fiscal 2017, the Company announced it had entered into an agreement to sell 100% of its wholly owned subsidiary Viawest, Inc. (“Viawest”) for proceeds of approximately US$1.675 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services segment are presented as discontinued operations separate from the Company’s continuing operations. Prior period financial information has also been reclassified to present the Business Infrastructure Services division of the Company as a discontinued operation.

The transaction closed on August 1, 2017, but remains subject to customary closing adjustments. The Company recognized a gain on the divestiture within income from discontinued operations as follows:

	August 31, 2017
Proceeds on disposal, net of transaction costs of $14	**1,905**
Reclassification of accumulated exchange differences from other comprehensive income related to the sale of a foreign operation	**82**
Net assets disposed	**(1,625)**
	362
Income taxes	**32**
Gain on divestiture, net of tax	**330**

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

In connection with the sale, the Company repaid Viawest debt of approximately US$466 and amounts outstanding under the Company's bank credit facility of US$380.

The assets and liabilities disposed of were as follows:

	$
Cash	**10**
Accounts receivable	**19**
Other current assets	**11**
Property, plant and equipment	**491**
Other long-term assets	**17**
Intangibles	**443**
Goodwill	**934**
	1,925
Accounts payable and accrued liabilities	**32**
Unearned revenue	**5**
Long-term debt	**139**
Other long-term liabilities	**20**
Deferred credits	**15**
Deferred income tax liabilities	**89**
	300

A reconciliation of the major classes of line items related to Viawest constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is shown below.

Sale of Shaw Media Inc. to Corus

In the second quarter of fiscal 2016, the Company announced it entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. ("Shaw Media") for a purchase price of approximately $2.65 billion comprised of $1.85 billion of cash and 71,364,853 Corus Class B non-voting participating shares.

Although, through holding of the shares in Corus, the Company will effectively retain an indirect, non-controlling interest in the Media division subsequent to the sale, the Company will no longer have control over the division. Accordingly, the assets and liabilities, operating results and operating cash flows for the previously reported Media segment are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has been reclassified to present the Media division as a discontinued operation.

The transaction closed on April 1, 2016. The Company recognized a gain on the divestiture within income from discontinued operations as follows:

	$
Proceeds on disposal, net of transaction costs of $22	**2,645**
Non-controlling interest in disposed net assets	**244**
Net assets disposed	**(2,217)**
	672
Income taxes	**47**
Gain on divestiture, net of tax	**625**

[all amounts in millions of Canadian dollars except share and per share amounts]

In connection with the disposal, remeasurements of employee benefit plans related to discontinued operations of $14 were transferred within equity from accumulated other comprehensive income to retained earnings.
The assets and liabilities disposed of were as follows:

	$ (restated – note 2)
Cash	**13**
Accounts receivable	**234**
Other current assets	**34**
Property, plant and equipment	**106**
Intangibles	**1,696**
Goodwill	**713**
	2,796
Accounts payable and accrued liabilities	**173**
Provisions	**12**
Income taxes payable	**23**
Unearned revenue	**4**
Other long-term liabilities	**46**
Deferred income tax liabilities	**321**
	579

A reconciliation of the major classes of line items related to Shaw Media constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is shown below.

Asset held for sale

Sale of Shaw Tracking

In the third quarter of fiscal 2017, the Company entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Business Network Services segment, for proceeds of approximately US$20, net of working capital adjustments. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale. Accordingly, the assets and liabilities of the Shaw Tracking business were reclassified in the consolidated balance sheet at August 31, 2017 to current assets held for sale or current liabilities held for sale, respectively, as the sale of such assets and liabilities is expected within one year. In addition, the operating results and operating cash flows of the business are presented as discontinued operations separate from the Company's continuing operations. The transaction closed on September 15, 2017, subsequent to year end, but remains subject to closing adjustments.

In connection with the reclassification of assets and liabilities of the Shaw Tracking business as held for sale, the Company reviewed the carrying value of the resulting disposal group and determined it exceeded its fair value less cost to sell. Accordingly, an impairment charge of $32 was recorded in the third quarter.

[all amounts in millions of Canadian dollars except share and per share amounts]

The following table summarizes the carrying value of the major classes of assets and liabilities of the disposal group which were classified as held for sale as at August 31, 2017:

	August 31, 2017
Accounts receivable	6
Inventories	6
Other current assets	1
Other long-term assets	24
Goodwill	24
Total assets of the discontinued operations classified as held for sale	**61**
Accounts payable and accrued liabilities	9
Deferred credits	32
Deferred income tax liabilities	(2)
Total liabilities of the discontinued operations classified as held for sale	**39**

A reconciliation of the major classes of line items related to Shaw Tracking constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is shown below.

A real estate property was classified as held for sale in the statement of financial position at September 1, 2015 and measured at estimated fair value less costs to sell. At September 1, 2015, the property's fair value was based on the sale which closed in fiscal 2016.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Results of Discontinued Operations

A reconciliation of the major classes of line items constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is as follows:

August 31, 2017	Viawest	Shaw Tracking	Total
Revenue	336	33	369
Eliminations(1)	(2)	–	(2)
	334	33	367
Operating, general and administrative expenses			
Employee salaries and benefits	80	7	87
Purchases of goods and services	124	18	142
	204	25	229
Eliminations(1)	(2)	–	(2)
	202	25	227
Restructuring costs	–	3	3
Amortization(2)	103	(2)	101
Interest on long-term debt	32	–	32
Accretion of long-term liabilities and provisions	12	–	12
Impairment of goodwill/disposal group	–	32	32
Income (loss) from discontinued operations before tax and gain on divestiture	(15)	(25)	(40)
Income taxes	(6)	2	(4)
Income from discontinued operations before gain on divestiture	(9)	(27)	(36)
Gain on divestiture, net of tax	330	–	330
Income from discontinued operations, net of tax	321	(27)	294

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they continue to be incurred subsequent to the disposition.

(2) As of the date Viawest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year amounted to $16.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

August 31, 2016	Viawest	Shaw Tracking	Shaw Media Inc.	Total
Revenue	334	33	610	977
Eliminations[1]	(2)	–	(46)	(48)
	332	33	564	929
Operating, general and administrative expenses				
Employee salaries and benefits	84	7	109	200
Purchases of goods and services[2]	123	17	272	412
	207	24	381	612
Eliminations[1]	(2)	–	(46)	(48)
	205	24	335	564
Amortization[2]	121	(3)	11	129
Interest on long-term debt	33	–	–	33
Accretion of long-term liabilities and provisions	2	–	2	4
Impairment of goodwill/disposal group	–	17	–	17
Other losses	5	–	–	5
Income (loss) from discontinued operations before tax and gain on divestiture	(34)	(5)	216	177
Income taxes	(11)	3	57	49
Income from discontinued operations before gain on divestiture	(23)	(8)	159	128
Gain on divestiture, net of tax	–	–	625	625
Income from discontinued operations, net of tax	(23)	(8)	784	753

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they continue to be incurred subsequent to the disposition.

(2) As of the date the Media division met the criteria to be classified as held for sale in the prior year, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other.

4. ACCOUNTS RECEIVABLE

	2017 $	2016 $
Subscriber and trade receivables	**278**	300
Due from related parties *[note 27]*	**1**	2
Miscellaneous receivables	**55**	8
	334	310
Less allowance for doubtful accounts	**(48)**	(42)
	286	268

[all amounts in millions of Canadian dollars except share and per share amounts]

Included in operating, general and administrative expenses is a provision for doubtful accounts of $40 (2016 – $28).

5. INVENTORIES

	2017 $	2016 $
Subscriber equipment	**109**	59
Other	**–**	6
	109	65

Subscriber equipment includes DTH equipment, DCTs and related customer premise equipment as well as wireless handsets.

6. OTHER CURRENT ASSETS

	2017 $	2016 $
Prepaid expenses	**99**	91
Wireless handset discount	**56**	47
	155	138

7. INVESTMENTS AND OTHER ASSETS

	2017 $	2016 $
Publicly traded companies	**896**	817
Investments in private entities	**41**	36
	937	853

The Company has a portfolio of minor investments in various private entities.

Corus

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. The company's portfolio of multimedia offerings encompasses 45 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in 2016, the Company received 71,364,853 Corus Class B non-voting participating shares representing approximately 37% of Corus' total issued equity of Class A and Class B shares (the "Corus B Consideration Shares"). Although the Class B Corus shares do not have voting rights, the Company is considered to have significant influence due to Board representation. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, until March 31, 2017, a second one third for 18 months post-closing, until September 30, 2017, and the final one third for 24 months post-closing, until March 31, 2018. As at August 31, 2017, the Company still holds all of the Corus B Consideration Shares that were received.

The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan while subject to these retention periods until September 1, 2017. For the year ended August 31, 2017, the Company received dividends of $88 (2016 – $34) from Corus, of which $81 (6016 – $34) were reinvested in additional Corus Class B shares. At August 31, 2017, the Company owned 80,630,383 (2016 – 74,135,891) Corus Class B shares having a fair value of $1,109 (2016 – $911) and representing 39% (2016 – 38%) of the total issued equity of Corus. The Company's weighted average

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

ownership of Corus for the year ended August 31, 2017 was 38% (April 1 to August 31, 2016 – 37%). As of September 1, 2017, the Company's Corus B Consideration Shares no longer participate in Corus' dividend reinvestment plan.

Summary financial information for Corus is as follows:

	August 31, 2017	August 31, 2016
Current assets	**525**	470
Non-current assets	**5,543**	5,623
Current liabilities	**(604)**	(532)
Non-current liabilities	**(2,864)**	(3,085)
Net assets	**2,600**	2,476
Less: non-controlling interests	**(159)**	(158)
	2,441	2,318
Carrying amount of the investment	**897**	817

Summarized statement of earnings of Corus:

	Year ended August 31,	
	2017	2016
Revenue	**1,679**	1,171
Net income (loss) attributable to:		
Shareholders	**192**	126
Non-controlling interest	**32**	18
	224	144
Other comprehensive income, attributable to shareholders	**33**	(15)
Comprehensive income	**257**	129
Equity income from associates[1]	**73**	(10)
Other comprehensive income from equity accounted associates[1]	**13**	(5)
	86	(15)

(1) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the year ended August 31, 2017 and for the five months from April 1, 2016 to August 31, 2016 .

Shomi Partnership

The Company has a 50% joint control interest in Shomi Partnership ("shomi"), which was a subscription video-on-demand service that launched in November 2014. In September 2016, shomi and Rogers Communications Inc., announced the decision to wind down its operations with service ending on November 30, 2016. The Company's interest in shomi was accounted for using the equity method until May 31, 2016, at which point the investment was written down to zero. For the year ended August 31, 2017, an investment loss of $82 (2016 – $54) has been recorded. Summarized financial information is as follows:

	August 31, 2017	August 31, 2016
Current assets	**10**	25
Non-current assets	**–**	105
Current liabilities	**–**	(48)
Non-current liabilities	**–**	(5)
Partnership net assets	**10**	77
Carrying amount of the investment[1]	**–**	–

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

	Year ended August 31, 2017	2016
Revenue	**(19)**	46
Expenses	**252**	182
Partnership net loss	**271**	136
Equity loss in the partnership[1]	**–**	52

[1] The Company's carrying amount the investment and equity loss does not equal 50% of the partnership's net assets and net loss due to elimination of unrealized profit on downstream transactions between the Company and shomi and the write-down of the carrying amount of the investment during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2017			August 31, 2016		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**5,955**	**2,843**	**3,112**	5,480	2,673	2,807
Digital cable terminals and modems	**826**	**468**	**358**	803	456	347
Satellite audio, video and data network and DTH receiving equipment	**124**	**64**	**60**	125	63	62
Transmitters, broadcasting, communications and production equipment	**–**	**–**	**–**	–	–	–
Land and buildings	**645**	**217**	**428**	579	186	393
Data centre infrastructure, data processing and other	**685**	**400**	**285**	966	344	622
Assets under construction	**101**	**–**	**101**	376	–	376
	8,336	**3,992**	**4,344**	8,329	3,722	4,607

Changes in the net carrying amounts of property, plant and equipment for 2017 and 2016 are summarized as follows:

	August 31, 2016								August 31, 2017
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,807	519	272	–	(485)	(1)	**–**	–	3,112
Digital cable terminals and modems	347	224	–	–	(213)	–	**–**	–	358
Satellite audio, video and data network and DTH receiving equipment	62	15	–	–	(17)	–	**–**	–	60
Land and buildings	393	61	195	–	(37)	–	**(176)**	(8)	428
Data centre infrastructure, data processing and other	622	79	10	–	(117)	(1)	**(294)**	(14)	285
Assets under construction	376	224	(477)	–	–	–	**(21)**	(1)	101
	4,607	1,122	–	–	(869)	(2)	**(491)**	(23)	4,344

[all amounts in millions of Canadian dollars except share and per share amounts]

	August 31, 2015								August 31, 2016
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,478	491	49	208	(417)	(2)	–	–	2,807
Digital cable terminals and modems	361	188	–	–	(202)	–	–	–	347
Satellite audio, video and data network and DTH receiving equipment	78	4	–	–	(20)	–	–	–	62
Transmitters, broadcasting, communications and production equipment	47	2	–	–	(7)	–	(42)	–	–
Land and buildings	418	14	35	4	(25)	(6)	(47)	–	393
Data centre infrastructure, data processing and other	590	78	64	44	(134)	(1)	(17)	(2)	622
Assets under construction	248	230	(148)	47		–	–	(1)	376
	4,220	1,007	–	303	(805)	(9)	(106)	(3)	4,607

In 2017, the Company recognized a loss of $2 (2016 – loss of $4) on the disposal of property, plant and equipment.

9. OTHER LONG-TERM ASSETS

	2017 $	2016 $
Equipment costs subject to a deferred revenue arrangement	**192**	225
Customer equipment financing receivables	**2**	6
Credit facility arrangement fees	**5**	4
Other	**56**	40
	255	275

Amortization provided in the accounts for 2017 amounted to $134 (2016 – $157), including $12 (2016 – $13) recorded in discontinued operations, and was recorded as amortization of deferred equipment costs and other amortization.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

10. INTANGIBLES AND GOODWILL

	2017 $	2016 $
Broadcast rights and licences		
Cable systems	**4,016**	4,016
DTH and satellite services	**1,013**	1,013
Television broadcasting	**–**	–
	5,029	5,029
Goodwill		
Non-regulated satellite services	**–**	56
Cable and telecommunications systems	**79**	79
Data centre services	**–**	979
Wireless	**201**	201
	280	1,315
Wireless spectrum licences	**1,947**	1,517
Other intangibles		
Software	**380**	329
Customer relationships	**79**	522
Trademark and brands	**–**	53
	2,406	2,421
Net book value	**7,715**	8,765

Broadcast rights and licences, trademark, brands and wireless spectrum licences have been assessed as having indefinite useful lives. While licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licences $	Trademark and brands $	Goodwill (restated -note 2) $	Wireless spectrum licences $
September 1, 2015	6,341	91	1,688	–
Business acquisition	1	–	367	1,517
Disposition	(1,313)	(38)	(713)	–
Write-down *[note 3]*	–	–	(17)	–
Foreign currency translation	–	–	(10)	–
August 31, 2016	**5,029**	**53**	**1,315**	**1,517**
Additions	**–**	**–**	**–**	**430**
Disposition *[note 3]*	**–**	**(51)**	**(958)**	**–**
Write-down *[note 3]*	**–**	**–**	**(32)**	**–**
Foreign currency translation	**–**	**(2)**	**(45)**	**–**
August 31, 2017	**5,029**	**–**	**280**	**1,947**

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Intangibles subject to amortization are as follows:

	August 31, 2017			August 31, 2016		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Software	**524**	**147**	**377**	246	128	118
Software under construction	**3**	**–**	**3**	211	–	211
Customer relationships	**114**	**35**	**79**	602	80	522
	641	**182**	**459**	1,059	208	851

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2015	295	91	184	472	1,042
Additions	226	69	40	–	335
Transfers	–	2	(2)	–	–
Business acquisition *[note 3]*	–	17	–	94	111
Disposition *[note 3]*	(339)	(13)	–	–	(352)
Amortization	(182)	(48)	–	(39)	(269)
Write-down	–	–	(11)	–	(11)
Foreign currency translation	–	–	–	(5)	(5)
August 31, 2016	**–**	**118**	**211**	**522**	**851**
Additions	**1**	**99**	**26**	**–**	**126**
Transfers	**–**	**234**	**(234)**	**–**	**–**
Disposition *[note 3]*	**–**	**(7)**	**–**	**(386)**	**(393)**
Amortization	**(1)**	**(67)**	**–**	**(39)**	**(107)**
Foreign currency translation	**–**	**–**	**–**	**(18)**	**(18)**
August 31, 2017	**–**	**377**	**3**	**79**	**459**

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at March 1, 2017 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at March 1, 2017 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at March 1, 2017 would result in an impairment loss of approximately $59. The wireless cash generating unit was created with the acquisition of Freedom on March 1, 2016. A hypothetical decline of 10% in the recoverable amount of the wireless generating unit as at March 1, 2017 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at March 1, 2017 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2017.

[all amounts in millions of Canadian dollars except share and per share amounts]

Significant estimates inherent to this analysis include discount rates and the terminal value. At March 1, 2017, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	8.0%	2.5%	7.5X
Satellite	8.5%	0.0%	5.5X
Wireless	9.5%	2.5%	8.0X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the third quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	10.0%	6.0%	3.0%
Satellite	7.0%	n/a	3.0%
Wireless	9.0%	5.0%	3.0%

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017 $	2016 $
Trade	**73**	107
Program rights	**12**	9
Accrued liabilities	**436**	442
Accrued network fees	**134**	131
Interest and dividends	**224**	228
Related parties *[note 27]*	**34**	27
	913	944

Shaw Communications Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2017 and 2016

[all amounts in millions of Canadian dollars except share and per share amounts]

12. PROVISIONS

	Asset retirement obligations $	Restructuring[1] $	Other[2] $	Total $
September 1, 2015	10	17	35	62
Business Acquisition	43	–	–	43
Divesture	(10)	–	(2)	(12)
Additions	3	25	23	51
Reversal	–	(3)	(2)	(5)
Payments	–	(35)	(18)	(53)
August 31, 2016	46	4	36	86
Additions	**13**	**57**	**94**	**164**
Accretion	**1**	**–**	**–**	**1**
Reversal	**–**	**–**	**(2)**	**(2)**
Payments	**–**	**(54)**	**(82)**	**(136)**
August 31, 2017	**60**	**7**	**46**	**113**
Current	–	4	29	33
Long-term	46	–	7	53
August 31, 2016	46	4	36	86
Current	**–**	**7**	**39**	**46**
Long-term	**60**	**–**	**7**	**67**
August 31, 2017	**60**	**7**	**46**	**113**

(1) During 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of Freedom and divestiture of Shaw Media. Approximately 200 employees were affected by the 2016 restructuring. During 2017, the Company restructured certain operations within the Consumer segment and announced a realignment to integrate certain Consumer and Business Network Services operations along with Freedom Mobile. Approximately 360 employees were affected by the restructurings in 2017. Restructuring amounts are primarily in respect of severance and employee related costs. The majority of the remaining costs at August 31, 2017 are expected to be paid within the next six months.

(2) In September 2016, shomi, a joint venture of the Company and Rogers Communications Inc., announced the decision to wind down its operations with service ending on November 30, 2016. The Company recorded a provision of $82 relating to the wind down of the investment. The balance of this provision was $nil as at August 31, 2017.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

13. LONG-TERM DEBT

		2017			2016		
	Effective interest rates %	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $	Long-term debt at amortized cost[1] $	Adjustment for finance costs[1] $	Long-term debt repayable at maturity $
Corporate							
Bank loans	Variable	–	–	–	498	–	498
Cdn fixed rate senior notes-							
5.70% due March 2, 2017	5.72	–	–	–	400	–	400
5.65% due October 1, 2019	5.69	**1,247**	**3**	**1,250**	1,246	4	1,250
5.50% due December 7, 2020	5.55	**498**	**2**	**500**	498	2	500
3.15% due February 19, 2021	3.17	**298**	**2**	**300**	298	2	300
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	497	3	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	–	–	–
6.75% due November 9, 2039	6.89	**1,419**	**31**	**1,450**	1,418	32	1,450
		4,258	**42**	**4,300**	4,855	43	4,898
Other							
ViaWest – credit facility	Variable	–	–	–	682	13	695
ViaWest – other	Various	–	–	–	31	–	31
Freedom Mobile – other	Various	**2**	–	**2**	4	–	4
Burrard Landing Lot 2 Holdings Partnership	4.68	**40**	–	**40**	40	–	40
Total consolidated debt		**4,300**	**42**	**4,342**	5,612	56	5,668
Less current portion		**2**	–	**2**	412	–	412
		4,298	**42**	**4,340**	5,200	56	5,256

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility. During 2017, the Company amended the terms of the facility to extend the maturity date from December 2019 to December 2021. Funds are available to the Company in both Canadian and US dollars. At August 31, 2017, $2 (2016 – $4) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2017 was 2.48% (2016 – 2.04%). The effective interest rate on the revolving term facility for 2017 was 3.18% (2016 – 3.11%).

In connection with the acquisition of Freedom, the Company entered into a $1.0 billion non-revolving credit facility with a syndicate of lenders (the "Freedom Facility") during 2016. The full amount of the Freedom Facility was drawn to fund the acquisition of Freedom, along with $300 million drawn on the Company's existing credit facility. These amounts were repaid during the year using the cash proceeds received from the Shaw Media disposition. The effective interest rate on borrowings under the Freedom Facility during 2016 was 2.56%.

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On February 28, 2017, the Company issued $300 senior notes at a rate of 3.80% due March 1, 2027.

On March 2, 2017, the Company repaid $400 5.70% senior notes at their maturity.

Other

ViaWest

During 2015, ViaWest entered into a credit facility consisting of a term loan in the amount of US $395 and a revolving credit facility of US $85. Commencing August 2015, the term loan had quarterly principal repayments of US $1 with the balance due on maturity in March 2022 while the revolving credit facility matured in March 2020. During 2016, ViaWest entered into an incremental US $80 term loan and increased the borrowing capacity available on the revolving facility by US $35. The incremental term loan had quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuated with LIBOR, US prime and US Federal Funds rates and the facilities were secured by a first priority security interest in specific assets pursuant to the terms of the Security Agreement.

ViaWest finance lease obligations and amounts owing to landlords in connection with financing of leasehold improvements had various expiry and maturity dates through to 2023. Collateral was provided as security for the related transactions and agreements as required.

Both the ViaWest credit facility and other obligations were divested in connection with the sale of ViaWest in August 2017.

Freedom Mobile

Finance lease obligations and amounts owing in connection with financing of certain computer equipment and services mature at various dates through to 2018.

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2017.

[all amounts in millions of Canadian dollars except share and per share amounts]

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2018	2
2019	–
2020	1,250
2021	801
2022	1
Thereafter	2,288
	4,342

Interest expense

	2017 $	2016 $
Interest expense – long-term debt	**262**	276
Amortization of senior notes discounts	**1**	2
Interest income – short-term (net)	**(3)**	(2)
Capitalized interest	**(2)**	(8)
	258	268

14. OTHER LONG-TERM LIABILITIES

	2017 $	2016 $
Pension liabilities *[note 26]*	**99**	125
Post retirement liabilities *[note 26]*	**5**	4
Share-based awards	**–**	2
Other	**10**	4
	114	135

15. DEFERRED CREDITS

	2017 $	2016 $
IRU prepayments	**423**	436
Equipment revenue	**44**	90
Connection fee and installation revenue	**20**	31
Deposit on future fibre sale	**2**	2
Other	**1**	4
	490	563

[all amounts in millions of Canadian dollars except share and per share amounts]

Amortization of deferred credits for 2017 amounted to $79 (2016 – $92) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2017 amounted to $13 (2016 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2017 amounted to $52 (2016 – $67), of which $14 (2016 – $15) is included in the results for discontinued operations. Amortization of connection fee and installation revenue for 2017 amounted to $14 (2016 – $12) and was recorded as revenue.

16. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2017	2016		2017	2016
Number of securities			$	$
22,420,064	22,420,064	Class A Shares	**2**	2
474,350,861	463,827,512	Class B Non-Voting Shares	**3,795**	3,504
10,012,393	10,012,393	Series A Preferred Shares	**245**	245
1,987,607	1,987,607	Series B Preferred Shares	**48**	48
508,770,925	498,247,576		**4,090**	3,799

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2017 and 2016 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2015	22,420,064	2	451,471,562	3,205
Stock option exercises	–	–	1,827,108	43
Business acquisition	–	–	2,866,384	68
Dividend reinvestment plan	–	–	7,662,458	188
August 31, 2016	22,420,064	2	463,827,512	3,504
Stock option exercises	**–**	**–**	**3,256,981**	**93**
Dividend reinvestment plan	**–**	**–**	**7,266,368**	**198**
August 31, 2017	**22,420,064**	**2**	**474,350,861**	**3,795**

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Series A and B Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") and Series B ("Series B Preferred Shares") represent series of class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

17. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2017 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2017, 35,716,620 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2017		2016	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**11,353,136**	**23.70**	12,538,664	23.70
Granted	**2,923,000**	**26.89**	2,758,000	23.93
Forfeited	**(861,150)**	**25.82**	(2,116,420)	26.17
Exercised[(1)]	**(3,256,981)**	**23.72**	(1,827,108)	21.15
Outstanding, end of year	**10,158,005**	**24.45**	11,353,136	23.70

(1) The weighted average Class B Non-Voting Share price for the options exercised was $27.90.

The following table summarizes information about the options outstanding at August 31, 2017:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$18.79 – $20.80	2,023,740	2.18	19.56	2,023,740	19.56
$20.81 – $24.21	2,525,275	6.77	23.22	1,092,075	22.57
$24.22 – $26.22	1,409,005	4.39	25.13	1,044,705	25.15
$26.23 – $27.19	1,913,530	8.79	26.33	160,280	26.99
$27.20 – $30.87	2,286,455	8.15	28.13	607,555	28.14

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2017 was $1.83 (2016 – $1.47) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2017	2016
Dividend yield	**4.41%**	4.93%
Risk-free interest rate	**0.94%**	0.75%
Expected life of options	**6 years**	5 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**16.8%**	17.8%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Restricted stock unit plan

The Company has a RSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in RSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of RSUs. An RSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout upon vesting. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with RSUs equal to the dividend. RSUs do not have voting rights as there are no shares underlying the plan.

During fiscal 2017, $2 was recognized as compensation expense (2016 – $nil). The carrying value and intrinsic value of RSUs at August 31, 2017 was $2 and $2, respectively (August 31, 2016 – $nil and $nil, respectively).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During fiscal 2017, $4 was recognized as compensation expense (2016 – $3). The carrying value and intrinsic value of DSUs at August 31, 2017 was $22 and $19, respectively (August 31, 2016 – $18 and $15, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions, increasing to 33% once an employee reaches 10 years of continuous service.

During fiscal 2017, $7 was recorded as compensation expense (2016 – $6).

Share appreciation rights

A subsidiary of the Company, that was included in the disposition of ViaWest in the current year, granted share appreciation rights ("SAR") to eligible employees of ViaWest. A SAR entitled the holder to the appreciation in value of one share of ViaWest over the exercise price over a period of time. SARs granted to ViaWest employees post-acquisition vested 25% per year over four years, had a 10 year contractual term and were cash settled. During 2017, $1 was recognized as compensation expense (2016 – $7) and recorded in the results of discontinued operations. The carrying value of SARs liabilities, including the SARs granted as partial consideration for the acquisition of ViaWest, at August 31, 2017 was nil (2016 – $21) as ViaWest was divested on August 1, 2017.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

18. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2017	2016
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**557**	487
Deduct: dividends on Preferred Shares	**(8)**	(13)
Net income attributable to common shareholders from continuing operations	**549**	474
Net income from discontinued operations	**294**	753
Deduct: net income from discontinued operations attributable to non-controlling interests	**–**	(20)
Net income from discontinued operations attributable to common shareholders	**294**	733
Net income attributable to common shareholders	**843**	1,207
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**491**	480
Effect of dilutive securities[(1)]	**1**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**492**	481
Basic earnings per share ($)		
Continuing operations	**1.12**	0.99
Discontinued operations	**0.60**	1.52
Attributable to common shareholders	**1.72**	2.51
Diluted earnings per share ($)		
Continuing operations	**1.11**	0.99
Discontinued operations	**0.60**	1.52
Attributable to common shareholders	**1.71**	2.51

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2017, 2,138,047 options were excluded from the diluted earnings per share calculation (2016 – 4,876,615).

19. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%.

[all amounts in millions of Canadian dollars except share and per share amounts]

Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and have the same conversion right on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. Holders of Series B Preferred Shares have the right, at their option, to convert their shares into Series A Preferred Shares, subject to certain conditions, on June 30, 2021 and on June 30 of every fifth year thereafter. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada and, effective December 16, 2016, the United States, to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2017 and 2016 are as follows:

2017		2016	
Class A Voting Share	Class B Non-Voting Share	Class A Voting Share	Class B Non-Voting Share
1.1825	1.1850	1.1825	1.1850

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2017 and 2016 are as follows:

2017		2016	
Series A Preferred Share	Series B Preferred Share	Series A Preferred Share	Series B Preferred Share
0.6978	0.6269	1.0538	0.1067

On June 28, 2017, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.15806 per Series B Preferred Share which were paid on September 29, 2017. The total amount paid was $2 of which $1 was not recognized as at August 31, 2017.

On October 26, 2017, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 28, 2017, January 30, 2018 and February 27, 2018 to shareholders of record at the close of business on December 15, 2017, January 15, 2018 and February 15, 2018, respectively.

On October 26, 2017, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.17138 per Series B Preferred Share payable on January 2, 2018 to holders of record at the close of business on December 15, 2017.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

20. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2017 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(9)**	**2**	**(7)**
Adjustment for hedged items recognized in the period	**(3)**	**1**	**(2)**
Share of other comprehensive income of associates	**13**	**–**	**13**
Discontinued operations:			
Exchange differences on translation of a foreign operation	**(50)**	**–**	**(50)**
Exchange differences on translation of US denominated debt hedging a foreign operation	**24**	**–**	**24**
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	**(82)**	**–**	**(82)**
	(107)	**3**	**(104)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	**34**	**(9)**	**25**
	(73)	**(6)**	**(79)**

Components of other comprehensive loss and the related income tax effects for 2016 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	2	(1)	1
Reclassification of loss on available-for-sale investment to income	4	–	4
Share of other comprehensive income of associates	(5)	–	(5)
Discontinued operations:			
Exchange differences on translation of a foreign operation	(7)	–	(7)
Exchange differences on translation of US denominated debt hedging a foreign operation	4	–	4
	(2)	(1)	(3)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	(49)	13	(36)
Discontinued operations	(11)	3	(8)
	(62)	15	(47)

[all amounts in millions of Canadian dollars except share and per share amounts]

Accumulated other comprehensive loss is comprised of the following:

	2017 $	2016 $
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(8)**	1
Share of other comprehensive income of associates	**8**	(5)
Discontinued operations:		
Foreign currency translation adjustments	**–**	108
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(131)**	(156)
	(131)	(52)

21. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2017 $	2016 $
Employee salaries and benefits	**859**	776
Purchases of goods and services	**2,080**	1,787
	2,939	2,563

22. OTHER LOSSES

	2017 $	2016 $
Realized and unrealized foreign exchange gains/(losses)	**12**	(1)
Investment write-downs	**(82)**	(74)
Asset write-downs	**–**	(16)
Other	**5**	(6)
	(65)	(97)

Other losses generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category also includes a write-down of $82 in respect of the Company's investment in shomi which announced a wind down of operations during the first quarter. In the prior year, the category also includes a write-down of $54 in respect of the Company's investment in shomi and a write-down of $20 in respect of a private portfolio investment.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

23. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2017 $	2016 $
Deferred tax assets	**4**	6
Deferred tax liabilities	**(1,858)**	(1,914)
Net deferred tax liability	**(1,854)**	(1,908)

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licences, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at September 1, 2015	(211)	(1,789)	(53)	98	55	(1,900)
Recognized in statement of income	(17)	(8)	109	(8)	–	76
Recognized in discontinued operations	(2)	–	–	–	(14)	(16)
Recognized on business acquisitions	(33)	(398)	–	29	5	(397)
Recognized on Media divestiture	(20)	352	–	1	(12)	321
Recognized in other comprehensive income:						
Foreign currency translation adjustments	–	2	–	–		2
Actuarial gains/losses	–	–	–	–	6	6
Balance at August 31, 2016	(283)	(1,841)	56	120	40	(1,908)
Recognized in statement of income	**13**	**(25)**	**(17)**	**(1)**	**(9)**	**(39)**
Recognized in discontinued operations	**–**	**8**	**–**	**2**	**(6)**	**4**
Recognized on Viawest divestiture	**5**	**168**	**–**	**(76)**	**(8)**	**89**
Recognized in other comprehensive income:						
Foreign currency translation adjustments	**–**	**10**	**–**	**(4)**	**–**	**6**
Actuarial gains/losses	**–**	**–**	**–**	**–**	**(6)**	**(6)**
Balance at August 31, 2017	**(265)**	**(1,680)**	**39**	**41**	**11**	**(1,854)**

The Company has capital loss carryforwards of approximately $62 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $581 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2037.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

[all amounts in millions of Canadian dollars except share and per share amounts]

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2017 $	2016 $
Current statutory income tax rate	**26.7%**	26.7%
Income tax expense at current statutory rates	**199**	178
Net increase (decrease) in taxes resulting from:		
Non-taxable portion of capital gains	**–**	–
Effect of tax rate changes	**(5)**	–
Tax benefit of equity (income) loss not recognized	**(20)**	3
Other	**16**	(3)
Income tax expense	**190**	178

The statutory income tax rate for the Company remained consistent at 26.7% in 2017 and 2016.

The components of income tax expense are as follows:

	2017 $	2016 $
Current income tax expense	**151**	243
Deferred tax recovery related to temporary differences	**44**	(65)
Deferred tax expense from tax rate changes	**(5)**	–
Income tax expense	**190**	178

Shaw Communications Inc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2017 and 2016

[all amounts in millions of Canadian dollars except share and per share amounts]

24. BUSINESS SEGMENT INFORMATION

The Company's operating segments are Consumer, Business Network Services, and Wireless. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Management evaluates divisional performance based on revenue and operating income before charges such as restructuring costs and amortization. The Consumer segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, and Satellite Video to Canadian consumers. The Business Network Services segment provides data networking, video, voice and Internet services through a national fibre-optic backbone network and also provides satellite Video services to North American businesses and public-sector entities. The Wireless segment was formed by the acquisition of Freedom Mobile (formerly, WIND Mobile) on March 1, 2016, and provides wireless voice and data communications services for customers in Ontario, British Columbia and Alberta. The previously reported Business Infrastructure Services segment was comprised primarily of the Viawest operations and, following the sale of Viawest, the majority of this segment is now reported in discontinued operations. The remaining operations and their results are now included within the Business Network Services segment. All of the Company's reportable segments are substantially located in Canada.

	2017 $	2016 $
Revenue		
Consumer	**3,747**	3,752
Business Network Services	**554**	515
Wireless	**605**	280
	4,906	4,547
Intersegment eliminations	**(24)**	(29)
	4,882	4,518
Operating income before restructuring costs and amortization		
Consumer	**1,583**	1,667
Business Network Services	**281**	252
Wireless	**133**	59
	1,997	1,978
Restructuring costs[(1)]	**(54)**	(23)
Amortization[(1)]	**(944)**	(840)
Operating income	**999**	1,115
Interest[(1)]		
Operating	**256**	267
Other/non-operating	**2**	1
	258	268
Current taxes[(1)]		
Operating	**183**	263
Other/non-operating	**(32)**	(20)
	151	243

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Capital expenditures

	2017 $	2016 $
Capital expenditures accrual basis		
Consumer and Business Network Services	**890**	839
Wireless	**255**	121
	1,145	960
Equipment costs (net of revenue)		
Consumer and Business Network Services	**80**	89
Capital expenditures and equipment costs (net)		
Consumer and Business Network Services	**970**	928
Wireless	**255**	121
	1,225	1,049
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**999**	863
Additions to equipment costs (net)	**73**	83
Additions to other intangibles	**111**	108
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,183**	1,054
Increase (decrease) in working capital and other liabilities related to capital expenditures	**35**	(5)
Decrease in customer equipment financing receivables	**7**	6
Less: Proceeds on disposal of property, plant and equipment	**–**	(6)
Total capital expenditures and equipment costs (net) reported by segments	**1,225**	1,049

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

25. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and licence fees for each transponder from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term operating commitments as follows:

	$
2018	359
2019 – 2022	679
Thereafter	272
	1,310

Comprised of:	$
Program related agreements	118
Lease of transmission facilities, circuits and premises	571
Lease and maintenance of transponders	474
Other (primarily maintenance and support contracts)	147
	1,310

Included in operating, general and administrative expenses are transponder maintenance expenses of $78 (2016 – $80) and rental expenses of $183 (2016 – $163), of which $26 (2016 – $30) has been recorded in the results of discontinued operations.

(iii) At August 31, 2017, the Company had capital expenditure commitments in the normal course of business of $177 in respect of fiscal 2018.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payments to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2017, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2017, the guarantee instruments amounted to $5. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2018 and fiscal 2019.

26. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the *Income Tax* Act. For union employees, the

[all amounts in millions of Canadian dollars except share and per share amounts]

Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $35 (2016 – $35) of which $23 (2016 – $23) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives and had several registered pension plans for certain employees in the media business until the sale of the business in April 2016. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2017 $	2016 $
Non-registered plans		
Accrued benefit obligation	**532**	563
Fair value of plan assets	**433**	438
Accrued benefit liabilities and deficit	**99**	125

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2017 Total $	SERP $	ERP $	2016 Total $
Accrued benefit obligation, beginning of year	**553**	**10**	**563**	502	7	509
Current service cost	**7**	**4**	**11**	6	3	9
Interest cost	**19**	**–**	**19**	21	–	21
Payment of benefits to employees	**(20)**	**–**	**(20)**	(19)	(2)	(21)
Remeasurements:						
Effect of changes in demographic assumptions	**(2)**	**–**	**(2)**	(5)	–	(5)
Effect of changes in financial assumptions	**(41)**	**–**	**(41)**	46	1	47
Effect of experience adjustments	**2**	**–**	**2**	2	1	3
Accrued benefit obligation, end of year	**518**	**14**	**532**	553	10	563
Fair value of plan assets, beginning of year	**432**	**6**	**438**	387	4	391
Employer contributions	**–**	**7**	**7**	50	4	54
Interest income	**16**	**–**	**16**	17	–	17
Payment of benefits	**(20)**	**–**	**(20)**	(19)	(2)	(21)
Return on plan assets, excluding interest income	**(8)**	**–**	**(8)**	(3)	–	(3)
Fair value of plan assets, end of year	**420**	**13**	**433**	432	6	438
Accrued benefit liability and plan deficit, end of year	**98**	**1**	**99**	121	4	125

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2017 is 15.9 years and 23.8 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2017 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**213**	**11**
Fixed income securities	**103**	**1**
Equity securities – Canadian	**29**	**–**
Equity securities – Foreign	**75**	**1**
	420	**13**

All fixed income and equity securities have a quoted price in an active market.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2017 SERP %	2017 ERP %	2016 SERP %	2016 ERP %
Discount rate	**3.70**	**3.70**	3.50	3.50
Rate of compensation increase	**3.00**[1]	**3.00**	5.00[1]	3.00

Benefit cost for the year	2017 SERP %	2017 ERP %	2016 SERP %	2016 ERP %
Discount rate	**3.50**	**3.50**	4.10	4.10
Rate of compensation increase	**5.00**[1]	**3.00**	5.00[1]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2017 by $86. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $13.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2017 Total $	SERP $	ERP $	2016 Total $
Current service cost	**7**	**4**	**11**	6	3	9
Interest cost	**19**	**–**	**19**	21	–	21
Interest income	**(16)**	**–**	**(16)**	(17)	–	(17)
Pension expense	**10**	**4**	**14**	10	3	13

Registered pension plans

The Company had a number of funded defined benefit pension plans which provided pension benefits to certain unionized and non-unionized employees in the media business. These plans were divested along with the sale of the Media division in April 2016. Benefits under these plans were based on the employees' length of service and final average salary. These plans were regulated by the Office of the Superintendent of Financial Institutions in accordance with the provisions of the Pension Benefits Standards Act and Regulations. The regulations set out minimum standards for funding the plans.

[all amounts in millions of Canadian dollars except share and per share amounts]

The table below shows the change in the benefit obligations, change in fair value of plan assets and the funded status of these defined benefit plans.

	2016 $
Accrued benefit obligation, beginning of year	173
Current service cost	3
Interest cost	4
Employee contributions	–
Payment of benefits to employees	(5)
Remeasurements:	
Effect of changes in demographic assumptions	–
Effect of changes in financial assumptions	7
Effect of experience adjustments	–
Divestiture of Shaw Media	(182)
Accrued benefit obligation, end of year	–
Fair value of plan assets, beginning of year	172
Employer contributions	6
Employee contributions	–
Interest income	4
Payment of benefit	(5)
Administrative expenses paid from plan assets	(1)
Return on plan assets, excluding interest income	(3)
Divestiture of Shaw Media	(173)
Fair value of plan assets, end of year	–
Accrued benefit liability and plan deficit, end of year	–

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for these plans.

Accrued benefit obligation	2016 %
Discount rate	3.86
Rate of compensation increase	3.00

Benefit cost for the year	2016 %
Discount rate	3.86
Rate of compensation increase	3.00

The net pension benefit plan expense, which is included in the employee salaries and benefits expense of discontinued operations, is comprised of the following components:

	2016 $
Current service cost	3
Interest cost	4
Interest income	(4)
Administrative expenses	1
Pension expense	4

[all amounts in millions of Canadian dollars except share and per share amounts]

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and are funded on a pay-as-you-go basis. The Company had additional plans for media retirees in 2016 that were divested along with the sale of the Media division in April 2016. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2017 $	2016 $
Accrued benefit obligation and plan deficit, beginning of year	**4**	22
Current service cost	**–**	–
Interest cost	**–**	1
Payment of benefits to employees	**–**	–
Remeasurements:		
Effect of changes in demographic assumptions	**–**	–
Effect of changes in financial assumptions	**–**	1
Effect of experience adjustments	**–**	–
Divestiture of Shaw Media	**–**	(20)
Accrued benefit obligation and plan deficit, end of year	**4**	4

The weighted average duration of the benefit obligation at August 31, 2017 is 19.7 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $nil (2016 – $1) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2017 were 3.60% and 3.80%, respectively (2016 – 4.20% and 3.60%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2017 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2018 are $4.

27. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by Shaw Family Living Trust ("SFLT") and its subsidiaries. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Jim Shaw, Bradley S. Shaw, three other members of his family and one independent director. JR Shaw and members of his family are represented as Directors, Senior Executive and Corporate Officers of the Company.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada with the exception of ViaWest, Inc. which was incorporated in the United States.

	Ownership Interest	
	August 31, 2017	August 31, 2016
Shaw Cablesystems Limited	100%	100%
Shaw Cablesystems G.P.	100%	100%
Shaw Cablesystems (VCI) Ltd.	100%	100%
Shaw Envision Inc.	100%	100%
Shaw Telecom Inc.	100%	100%
Shaw Telecom G.P.	100%	100%
Shaw Satellite Services Inc.	100%	100%
Star Choice Television Network Incorporated	100%	100%
Shaw Satellite G.P.	100%	100%
ViaWest, Inc.	–	100%
Freedom Mobile Inc.	100%	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2017 $	2016 $
Short-term employee benefits	**31**	32
Post-employment pension benefits	**9**	3
Share-based compensation	**5**	3
	45	38

Transactions

The Company paid $2 (2016 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $11 (2016 – $8) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $20 (2016 – $14) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2017, the Company had $4 owing in respect of these transactions (2016 – $3).

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $135 (2016 –$118), advertising fees of $8 (2016 – $1), programming fees of $1 (2016 – $1), and administrative fees of $1 (2016 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $7 (2016 – $7), uplink of television signals for $8 (2016 – $7), and Internet services and lease of circuits for $1 (2016 – $1). At August 31, 2017, the Company had a net of $24 owing in respect of these transactions (2016 – $22).

During 2016, the Company's sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016 (see note 3).

The Company provided Corus with advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $13 (2016 – $13) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2017, the Company had a remaining commitment of $80 in respect of the office space lease which is included in the amounts disclosed in note 25.

Joint arrangement – Shomi

During the year, the Company provided programming content and advertising services of $nil (2016 – $6) and paid $nil (2016 – $11) in subscriber fees. At August 31, 2017, the Company had a net receivable of $nil (2016 – $nil) in respect of these transactions.

28. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

[all amounts in millions of Canadian dollars except share and per share amounts]

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values an investment in a publicly traded company, long-term debt and a contingent liability are as follows:

	August 31, 2017		August 31, 2016	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Investment in publicly traded company(1)	**897**	**1,109**	817	911
Liabilities				
Long-term debt(2)	**4,300**	**4,901**	5,612	6,252
Contingent liability(3)	**–**	**–**	2	2

(1) Level 1 fair value – determined by quoted market prices.

(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(3) Level 3 fair value – determined by valuation techniques using inputs that are not based on observable market data.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2017, the Company entered into forward contracts to purchase US $112 over a period of 12 months commencing in September 2016 at an average exchange rate of 1.2932 Cdn. At August 31, 2017 the Company had forward contracts to purchase US $182 over a period of 24 months commencing September 2017 at an average exchange rate of 1.3031 Cdn in respect of US dollar commitments.

Shaw Communications Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2017 and 2016
[all amounts in millions of Canadian dollars except share and per share amounts]

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in note 13.

Interest on the Company's unsecured banking facility is based on floating rates, while the senior notes are fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2017, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $17 net of tax (2016 – $11). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates. As at August 31, 2017 there is no significant market risk arising from interest rate fluctuations within a reasonably contemplated range from their actual amounts.

At August 31, 2017, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 in respect of the Company's DSU plan.

Credit risk

Accounts receivable in respect of the Consumer, Business Networks Services and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2017, the Company had accounts receivable of $286 (August 31, 2016 – $268), net of the allowance for doubtful accounts of $48 (August 31, 2016 – $42). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2017, $94 (August 31, 2016 – $95) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

[all amounts in millions of Canadian dollars except share and per share amounts]

The Company's undiscounted contractual maturities as at August 31, 2017 are as follows:

	Accounts payable and accrued liabilities[1] $	Other long-term liabilities $	Long-term debt repayable at maturity $	Interest payments $
Within one year	921	–	2	241
1 to 3 years	–	1	1,251	416
3 to 5 years	–	–	801	277
Over 5 years	–	–	2,288	1,768
	921	1	4,342	2,702

(1) Includes accrued interest and dividends of $224.

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	2017 $	2016 $
Net income from continuing operations	**557**	487
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**946**	843
Deferred income tax recovery	**39**	(65)
Share-based compensation	**3**	3
Defined benefit pension plans	**8**	(40)
Accretion of long-term liabilities and provisions	**(1)**	(1)
Equity loss of an associate or joint venture	**(73)**	61
Provision for investment loss	**82**	–
Loss on write-down of assets *[note 22]*	**–**	16
Loss on write-down of investments *[note 22]*	**–**	74
Other	**(31)**	10
Funds flow from continuing operations	**1,530**	1,388

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	2017 $	2016 $
Interest paid	**271**	273
Income taxes paid (net of refunds)	**220**	242
Interest received	**3**	2

[all amounts in millions of Canadian dollars except share and per share amounts]

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2017 $	2016 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan *[note 19]*	**198**	188

30. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), and bank indebtedness less cash and cash equivalents.

	August 31, 2017 $	August 31, 2016 $ (restated, note 2)
Cash and cash equivalents	**(507)**	(405)
Long-term debt repayable at maturity	**4,342**	5,668
Share capital	**4,090**	3,799
Contributed surplus	**30**	42
Retained earnings	**2,164**	1,908
	10,119	11,012

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2017, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

31. SUBSEQUENT EVENTS

On September 15, 2017 the Company completed the sale of its group of assets comprising the operations of Shaw Tracking to an external party.

Shaw Communications Inc.
Corporate Information
August 31, 2017

DIRECTORS

JR Shaw[4]
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
Corporate Director

Adrian L. Burns[3] [4]
Corporate Director

Dr. Richard R. Green[1]
Corporate Director

Dr. Lynda Haverstock[2]
Corporate Director

Gregory John Keating[2]
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien[1] [4]
Corporate Director

Paul K. Pew[3] [4]
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer[1]
Private Investor

Bradley S. Shaw[4]
Chief Executive Officer
Shaw Communications Inc.

Jim Shaw
Vice Chair
Shaw Communications Inc.

JC Sparkman[2] [4]
Corporate Director

Carl E. Vogel[3]
Private Investor; Senior Advisor to
DISH Network

Sheila C. Weatherill[3]
Corporate Director

Willard (Bill) H. Yuill[2]
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

JR Shaw
Executive Chair

Jim Shaw
Vice Chair

Bradley S. Shaw
Chief Executive Officer

Jay Mehr
President

Vito Culmone
Executive Vice President &
Chief Financial Officer

Trevor English
Executive Vice President & Chief
Strategy and Business
Development Officer

Peter Johnson
Executive Vice President & Chief
Legal and Regulatory Officer

Jim Little
Executive Vice President & Chief
Marketing and Culture Officer

Zoran Stakic
Executive Vice President & Chief
Technology Officer

Janice Davis[1]
Executive Vice President,
Business Transformation & Chief
Procurement Officer

Chris Kucharski
President, Consumer & Business

Ron McKenzie
Senior Vice President & Chief
Operating Officer

Paul McAleese
Chief Operating Officer, Freedom
Mobile

(1) as of November 16, 2017

CORPORATE OFFICE
Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: www.shaw.ca

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policies is contained in the Information Circular and is also available on Shaw's website, www.shaw.ca.

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, www.shaw.ca.

INTERNET HOME PAGE
Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at www.shaw.ca.

AUDITORS
Ernst & Young LLP

PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
AST Trust Company,
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE
Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, Ontario, M5J 2Y1
Phone : 1-800-564-6253

FURTHER INFORMATION
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at www.shaw.ca for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email investor.relations@sjrb.ca.

This is Exhibit 28 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

2018 ANNUAL REPORT

The Annual General Meeting of Shareholders will be held on January 17, 2019 at 11:00 a.m. (Mountain Time) at Shaw Court, 630 – 3rd Avenue SW, Calgary, Alberta.

Dear Fellow Shareholders:

We are pleased to report we made significant progress in 2018 towards our goal of delivering long-term and sustainable growth.

This past year, our consolidated financial results were in line with our expectations and demonstrated the emerging strength of our Wireless operations and our focus on profitability and sustainable cost savings in our core Wireline business.

We are actively addressing the opportunities and challenges in our business by making bold changes to our operations. These significant changes are not only helping us create better experiences for our customers, they are enabling a more agile approach to all aspects of our business so we can unlock opportunities, drive growth, and deliver efficiencies.

Millions of Canadians now rely on Shaw for their wireless, data and broadband needs. We will continue to work to improve how we serve them while we focus on driving growth and profitability across all of our divisions.

Wireless

Our Wireless operations have enabled a strategic and transformative shift that supports our long-term, sustainable growth ambitions.

Our Wireless footprint now covers approximately 16 million people in some of Canada's largest urban centres, or almost half of the Canadian population. In fiscal 2019, we expect to expand to an additional population of 1.3 million, primarily in Western Canada.

In fiscal 2018, we added over 255,000 Wireless subscribers and ended the year at over 1.4 million customers, a 22% increase compared to a year earlier. The growth of Freedom Mobile's subscriber base was complemented by strong financial performance and higher average revenue per user ("ARPU"), reflecting the appeal of our differentiated value proposition. Our innovative Big Gig data plans combined with the latest devices available in the market continue to attract higher lifetime value customers to Freedom Mobile. In addition, our Wireless service is now even more accessible to Canadians through the addition, in 2018, of 240 locations with national retail partners, Loblaws and Walmart.

Supporting our Wireless sales are significant investments in our network and customer service capabilities. We are executing a step-by-step plan to improve our network and deploy spectrum in the most efficient way. In fiscal 2018, we completed the deployment of the 2500 MHz spectrum, refarmed 10 MHz of AWS-1 spectrum and, in October 2018, we launched our Extended Range LTE in Calgary, Edmonton, Vancouver and Southwestern Ontario, leveraging 700 MHz spectrum to provide customers with an enhanced experience, including improved indoor wireless reception. We have also recently introduced voice over LTE ("VoLTE") to a wide range of devices. Our network investments support continued growth in our Wireless business and are potential building blocks for future technologies, such as 5G.

In fiscal 2019, we will continue to execute our Wireless operating plan to increase wireless market share and ARPU while also exploring cross-selling opportunities with our Wireline customer base.

Wireline

As we look to fiscal 2019, we are focused on delivering stable Wireline results, including improved broadband growth through more effective targeting and customer segmentation while also shifting our efforts in Video to optimize profitability.

Our team is modernizing all aspects of our operations as we work to better meet the needs of today's customer. We are leveraging insights from data to help us better understand customer preferences and provide them with the services they want. We are shifting customer interactions to digital platforms and driving more self-install and self-service.

We are starting to see the results of these efforts as our teams begin to think and work differently to deliver a modern connectivity experience anchored in broadband. As the key product in the customer's home, our broadband service is a significant and cost-effective competitive advantage. We have deployed DOCSIS 3.1 across our extensive wireline network to give us the ability to potentially deliver gigabit speeds across virtually all of our cable footprint.

Our best-in-class partnerships enable us to leverage the latest technology and applications, including Comcast's XB6 Advanced WiFi modem – the heart of the Shaw connected home. In early 2019, we will enable additional internet protocol ("IP") services such as xFi and WiFi extenders that will differentiate our broadband service from the competition.

In addition, in 2019 we will begin deploying a full IPTV experience to our customers. With this service, we will reduce the amount of equipment needed in the home and simplify the installation process – enhancing the ability of customers to self-install.

Our Wireline Business division contributed solid results again in fiscal 2018, leveraging our SmartSuite products that deliver enterprise-grade services to small and medium size businesses.

SmartSuite products are the foundation for growth in Shaw Business and we expect to continue increasing market share, revenue and profitability, as we focus on delivering our services in targeted strategic verticals. Our SmartSuite products can scale to larger businesses as well giving us opportunities to deliver services across Canada.

Building towards long-term growth

In reviewing fiscal 2018, we are pleased with our financial results and operational achievements. In fiscal 2019, we will continue to build the key areas of our business that will drive growth and optimize for profitability the more mature areas. Our network advantage provides flexibility to leverage future technologies, while offering customers more speed, more data and more ways to connect. We are partnering with best-in-class technology leaders to embrace innovation, improve our processes and deliver today with an eye on tomorrow. We are also making changes to our operations so that we can continue to streamline processes, increase efficiency, and deliver long-term growth.

Transforming any established enterprise is not easy, but our foundation of almost 50 years of operations combined with the leadership and dedication of our over 10,000 employees has given us confidence in our ability to succeed and modernize our business for the future.

We are grateful to each of our employees for their meaningful and ongoing contributions to our future success. We know our people are the source of everything that is great at Shaw and we are humbled by their commitment and excited by what we can all accomplish together.

[Signed]

JR Shaw
Executive Chair

[Signed]

Bradley S. Shaw
Chief Executive Officer

Management's Discussion & Analysis

Contents

Forward

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. or, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group.

Caution Concerning Forward Looking Statements

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements. Forward looking statements in this Management's Discussion and Analysis include, but are not limited to statements relating to:

- future capital expenditures;
- proposed asset acquisitions and dispositions;
- expected cost efficiencies;
- financial guidance and expectations for future performance;
- business and technology strategies and measures to implement strategies;
- the Company's equity investments, joint ventures and partnership arrangements;
- expected growth in subscribers and the services to which they subscribe;
- competitive strengths;
- expected project schedules, regulatory timelines, completion/in-service dates for the Company's capital and other projects;
- expected number of retail outlets;
- timing of new product and service launches;
- expected number of customers using voice over LTE, or VoLTE;
- the deployment of: (i) network infrastructure to improve capacity and coverage and (ii) new technologies, including next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- expected growth in subscribers and the products/services to which they subscribe;
- the cost of acquiring and retaining subscribers and deployment of new services;
- the restructuring charges (related primarily to severance and employee related costs as well as additional costs directly associated with the Company's Total Business Transformation ("TBT") initiative) expected to be incurred in connection with the TBT initiative;
- the anticipated annual cost reductions related to the Voluntary Departure Program ("VDP") (including reductions in operating and capital expenditures) and the timing of realization thereof;
- the impact that the employee exits will have on Shaw's business operations;
- outcome of the TBT initiative, including the timing thereof and the total savings at completion; and
- expansion and growth of Shaw's business and operations and other goals and plans.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this Management's Discussion and Analysis are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many of which are confidential, include but are not limited to:

- general economic conditions;
- future interest rates;
- previous performance being indicative of future performance;
- future income tax and exchange rates;
- technology deployment;
- subscriber growth;
- short term incremental costs associated with growth in Wireless handset sales;
- pricing, usage, and churn rates;
- availability of devices;
- content and equipment costs;

- completion of proposed transactions;
- industry structure, conditions and stability;
- government regulation;
- the TBT initiative being completed in a timely and cost-effective manner yielding the expected results and benefits, including: (i) resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw's consumers' needs and expectations (including the products and services offered to its customers) and (ii) realizing the expected cost reductions;
- the Company being able to complete the employee exits pursuant to the VDP with minimal impact on business operations within the anticipated timeframes and for the budgeted amount;
- the cost estimates for any outsourcing requirements and new roles in connection with the VDP;
- the Company can gain access to sufficient retail distribution channels;
- the Company can access the spectrum resources required to execute on its current and long-term strategic initiatives; and
- the integration of acquisitions.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- changes in general economic, market and business conditions;
- changing interest rates, income taxes, and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- changes in the value of the Company's equity investments, joint ventures and partnership arrangements;
- the Company's failure to execute its strategic plans and complete its capital and other projects by the completion date;
- the Company's failure to grow subscribers;
- the Company's failure to close key transactions;
- the Company's failure to have the spectrum resources required to execute on its current and long-term strategic initiatives;
- the Company's failure to gain sufficient access to retail distribution channels;
- the Company's failure to achieve cost efficiencies;
- the Company's failure to implement the TBT initiative as planned and realize the anticipated benefits therefrom, including: (i) the failure of the TBT to result in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw's consumers' needs and expectations (including the products and services offered to its customers) and (ii) the failure to realize the expected cost reductions;
- the Company's failure to complete employee exits pursuant to the VDP with minimal impact on operations;
- technology, privacy, cyber security and reputational risks;
- opportunities that may be presented to and pursued by the Company;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this report under the heading "Known events, trends, risks and uncertainties".

The foregoing is not an exhaustive list of all possible factors. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward-looking statements contained in this Management's Discussion and Analysis are expressly qualified by this statement.

ABOUT OUR BUSINESS

At Shaw, we are focused on delivering long-term growth and connecting customers to the world through a best-in-class seamless connectivity experience. In fiscal 2018, we took purposeful strides to evolve Shaw's value proposition of providing leading and innovative products and services, driving operational momentum and enhancing our customers' connectivity experience.

In the first quarter of fiscal 2018, we implemented the previously announced changes to the structure of our operating divisions to improve overall efficiency while enhancing our ability to grow as a leading Canadian connectivity company. Our previously existing Consumer and Business Network Services divisions were combined to form a new Wireline division with no changes to the existing Wireless division.

Wireline

Shaw is one of the largest providers of residential communication services in Canada

Our Consumer division connects families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario through our hybrid fibre-coax network

Shaw Direct is one of two licensed satellite Video services available across Canada

Our Business division leverages the same network infrastructure as Consumer with a product suite targeting small and medium-sized businesses

Wireless

Freedom Mobile currently operates in Ontario, Alberta and British Columbia.

Approximately 16 million Canadians reside within our current mobile wireless network service area

In the following sections we provide select financial highlights and additional details with respect to our strategy, our Wireline and Wireless divisions, our network and our presence in the communities in which we operate.

Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV –SJR.A). For more information, please visit www.shaw.ca.

Select Financial and Operational Highlights

Through an evolving operating and competitive landscape our consolidated business has delivered stable and profitable results in fiscal 2018.

Basis of presentation

On April 1, 2016, Shaw sold 100% of its wholly owned subsidiary Shaw Media Inc. ("Shaw Media") to Corus Entertainment Inc ("Corus").

On August 1, 2017, the Company sold 100% of its wholly owned subsidiary ViaWest, Inc. and its subsidiaries (collectively, "ViaWest"), previously reported under the Business Infrastructure Services division, to Peak 10 Holding Corporation ("Peak 10").

On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation with the Company's Business segment, to Omnitracs Canada. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale for the period ended August 31, 2017.

Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services division, Shaw Tracking business (an operating segment within the Business division) and Media division are presented as discontinued operations separate from the Company's continuing operations. The Business Infrastructure Services division was comprised primarily of ViaWest. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Business segment. This Management's Discussion and Analysis ("MD&A") reflects the results of continuing operations, unless otherwise noted.

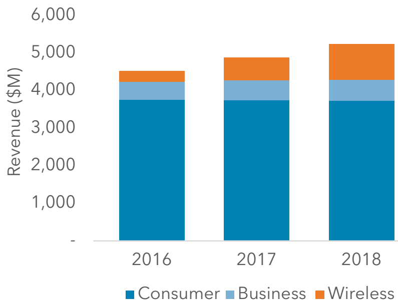
2018 Total Revenue

$5.2 BILLION

18% Wireless

71% Wireline - Consumer

11% Wireline - Business

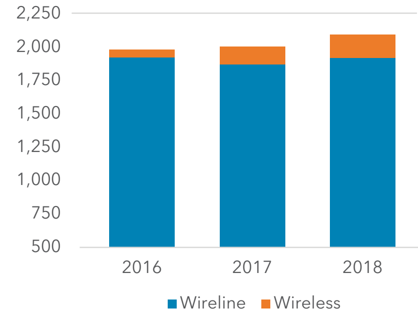


2018 Operating Income Before Restructuring Costs and Amortization

$2.1 BILLION

8% Wireless

92% Wireline



	Year ended August 31,			Change	
(millions of Canadian dollars except per share amounts)	2018	2017	2016	2018 %	2017 %
Operations:					
Revenue	**5,239**	4,882	4,518	7.3	8.1
Operating income before restructuring costs and amortization(1)	**2,089**	1,997	1,978	4.6	1.0
Operating margin(1)	**39.9%**	40.9%	43.8%	(1.0pts)	(2.9pts)
Net income from continuing operations	**66**	557	487	(88.2)	14.4
Income (loss) from discontinued operations, net of tax(2)(3)	**(6)**	294	753	>(100.0)	(61.0)
Net income	**60**	851	1,240	(92.9)	(31.4)
Per share data:					
Basic earnings per share					
Continuing operations	**0.11**	1.12	0.99		
Discontinued operations	**(0.01)**	0.60	1.52		
	0.10	1.72	2.51		
Diluted earnings per share					
Continuing operations	**0.11**	1.11	0.99		
Discontinued operations	**(0.01)**	0.60	1.52		
	0.10	1.71	2.51		
Weighted average participating shares outstanding during period (millions)	**502**	491	480		
Funds flow from continuing operations(4)	**1,259**	1,530	1,388	(17.7)	10.2
Free cash flow(1)	**411**	438	482	(6.2)	(9.1)

(1) Refer to key performance drivers.

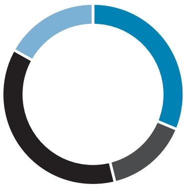
(2) As of the date ViaWest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the period ended August 31, 2017, before tax, amounted to $16.

(3) As of the date the Media division met the criteria to be classified as held for sale and for the period up to the transaction closing date of April 1, 2016, the Company ceased amortization of non-current assets of the division, including program rights, property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the period ended August 31, 2016, before tax, amounted to $35 for program rights and $6 for property, plant and equipment, intangibles and other, respectively.

(4) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

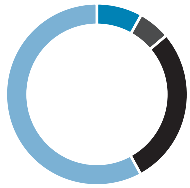
Subscriber highlights:

Wireline – Consumer



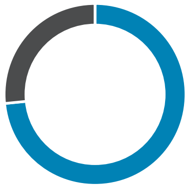
37% Internet
31% Video - Cable
15% Video - Satellite
17% Phone

Wireline – Business



28% Internet
8% Video - Cable
6% Video - Satellite
58% Phone

Wireless



73% Postpaid
27% Prepaid

Subscriber highlights:	August 31, 2018	August 31, 2017	Change
Wireline – Consumer			
Video – Cable	**1,585,232**	1,671,277	**(86,045)**
Video – Satellite	**750,403**	773,542	**(23,139)**
Internet	**1,876,944**	1,861,009	**15,935**
Phone	**853,847**	925,531	**(71,684)**
Total Consumer	**5,066,426**	5,231,359	**(164,933)**
Wireline – Business			
Video – Cable	**49,606**	51,039	**(1,433)**
Video – Satellite	**34,831**	31,535	**3,296**
Internet	**172,859**	170,644	**2,215**
Phone	**354,912**	327,199	**27,713**
Total Business	**612,208**	580,417	**31,791**
Total Wireline	**5,678,634**	5,811,776	**(133,142)**
Wireless			
Postpaid	**1,029,720**	764,091	**265,629**
Prepaid	**373,138**	383,082	**(9,944)**
Total Wireless	**1,402,858**	1,147,173	**255,685**
Total Subscribers	**7,081,492**	6,958,949	**122,543**

Our Strategy

At Shaw, we are focused on delivering long-term and sustainable growth by connecting customers to the world through a best-in-class seamless connectivity experience by leveraging our world class converged network. In fiscal 2018, we concentrated on operational efficiency and executing on our strategic priorities through delivery of an exceptional customer experience.

Fiscal 2018 was an exciting year for our Wireless business. In a short amount of time, we have created a stronger, high quality network and are delivering an improved customer experience. Investment in our Wireless network continues to be a top priority and throughout the year, we completed the roll out of the 2500 MHz spectrum (in high traffic sites in the greater Toronto area ("GTA"), Calgary, Edmonton and Vancouver) and commenced the deployment of the 700 MHz spectrum later in the year which is expected to continue throughout fiscal 2019. These network and spectrum improvements supported the launch of our Big Gig data plans, expanded handset lineup (which now includes iPhone) and two new national retail agreements to further develop our distribution network. The execution of our operating strategy drove significant subscriber and average revenue per user ("ARPU") growth in the year. Since the acquisition of Freedom Mobile in 2016, we have added approximately half a million subscribers which is a true testament to Freedom Mobile delivering a differentiated and sustainable value proposition to customers.

In our Wireline division, as part of our operating strategy, we continue to leverage our broadband advantage by introducing new services to our residential and business customers that are aligned with our focus on profitable growth and stability. Through the introduction of Total Business Transformation ("TBT") and the related Voluntary Departure Program ("VDP") in fiscal 2018, we began the work to shift customer interactions to digital platforms, deploy self-help and self-install programs and streamline the operations that build and service our network. As part of this multi-year journey, we will continue to build and transition into a new digital operating service model, improving the customer experience while significantly reducing costs in the Wireline division.

In addition to strengthening the long-term strategic positioning of the Company over the last several fiscal years, we have a strong balance sheet that is supportive of the level of investment required for long-term growth while remaining committed to an investment grade credit rating and long-term free cash flow growth.

Total Business Transformation

In the second quarter of fiscal 2018, we introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the evolving needs and expectations of our consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. The three key elements of TBT are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and, 3) streamline the operations that build and service our networks. As part of the TBT initiative, we also plan to reduce input costs, consolidate functions, and streamline processes, which is expected to create operational improvements across the business allowing us to evolve into a more efficient organization.

As a first step in the TBT, a voluntary departure package (the "VDP package"), was offered to approximately 6,500 eligible employees representing approximately 50% of our total workforce. The outcome of the VDP had approximately 3,300 employees or 25% of our total workforce accepting the VDP package. Related to the VDP, approximately 1,300 employees departed the Company in fiscal 2018. The anticipated annualized savings, which include reductions in operating expenses and capital expenditures (i.e. labour costs that can be identified or associated with a capital project), related to the VDP, are expected to be approximately $215 million and will be fully realized in fiscal 2020. Shaw expects these cost reductions to be weighted 60% to operating expenses, being approximately $130 million, and 40% to capital expenditures, being approximately $85 million. VDP related cost reductions in fiscal 2018 totaled $47 million, of which $39 million were attributed to operating expenses and $8 million attributed to capital expenditures.

In connection with the VDP and various other TBT activities, the Company has incurred a total restructuring charge of $446 million in fiscal 2018, primarily related to severance and other employee related costs, as well as additional costs directly associated with the TBT initiative. While the restructuring charge has been recognized in fiscal 2018, the actual timing of employee exits will take place over a 24-month period and payments to employees will occur over a 34-month period, commencing on March 29, 2018 due to the ability of the eligible employees to defer VDP payments until the first day of the next calendar year following their departure. We expect that total restructuring charges will not exceed $450 million as the restructuring activities related to the TBT initiative have been substantially completed. See also "Other Income and Expense Items", "Caution Concerning Forward Looking Statements" and "Risks and Uncertainties" for a discussion of the TBT, the VDP and the risks and assumptions associated therewith.

Culture and People

As we repositioned ourselves as a leading Canadian connectivity company, we began evolving our culture to enable us to deliver on this corporate and operational strategy. Building off a strong foundation of leadership discipline and our core values, Shaw's culture enables our efficiency and growth potential by ensuring business decisions are made in accordance with a customer-centric perspective.

At Shaw, we believe success and strength stems from our people first approach. Our people are the source of everything that is great at Shaw.

Through various data sources, as well as listening to our employees through our recurring PeoplePulse surveys, we continue to focus on the following four cultural imperatives to help achieve our people and culture objectives:

1) **Leading Effectively** – elevating our collective ability to deliver growth as we foster a culture of empowerment and continuous improvement with a focus on developing effective leaders at every level of the Company to deliver extraordinary business results by bringing out the best in our people

2) **Enabling Work** – simplifying how work gets done and providing our people with modern tools, processes and technologies that are simple and efficient, making it faster for leaders and employees to do their jobs effectively

3) **Enhancing the Employee Experience** – commitment to investing in our employees, supporting career and personal growth through skill and capability development and creating new ways of working and learning in order to enable employees to perform better in their current roles and prepare them for future roles by removing barriers and responding faster

4) **Maximizing Performance** – evolving performance philosophy and assessment approach, implementing reward and recognition programs that drive a culture of accountability and reward performance excellence for all employees

Inspiring and engaging our diverse employee base from across Canada to align with our strategy is the cornerstone of our success. Our employees are committed to delivering an exceptional seamless connectivity experience for our customers and the communities we serve.

Our World-Class Converged Network

As our customers spend more of their time in the digital environment, they increasingly need and expect an always-on, seamless connectivity experience, which requires multiple integrated technological platforms. With our unique hybrid fibre-coax ("HFC"), Wi-Fi and LTE-Advanced networks, we have the opportunity to continue to innovate in response to changing consumer needs and technological developments. The world of connectivity will change in the coming years as wireline broadband technologies develop, standards for 5G are set and wireless and wireline platforms converge. Following the acquisition of Freedom Mobile in 2016, we initiated the work to integrate our wireline and wireless networks which have already started to yield capital expenditure synergies and customer benefits.

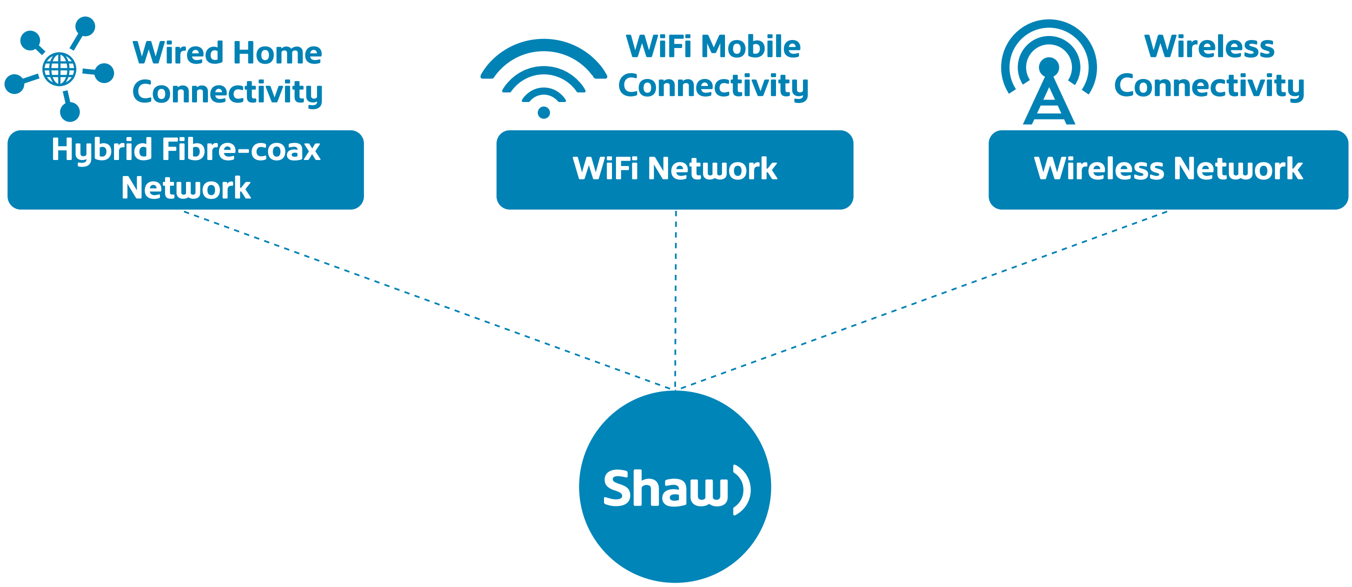
Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must participate in global scale initiatives through partnerships with best-in-class service providers. This ensures that the technology we adopt and invest in is, and continues to be, leading-edge in the global communications industry.

This approach allows us to leverage our current assets where we have strength and expertise, while also ensuring our capital investments are aligned with industry leaders to support the development, maintenance and advancement of new technology where it is impractical for us to do so on a standalone basis. This allows us to direct our capital resources and further our commitment to continue the advances in innovation, performance and reliability of our products and services. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in purchasing opportunities on a global scale.

We have solidified a series of significant relationships this year with global leaders on the following initiatives:

- our continued Shaw BlueSky TV rollout powered by the X1 Video platform and launch of our first DOCSIS 3.1 advanced Wi-Fi modem (XB6), both of which are developed by Comcast (see discussion under "Consumer")
- the deployment of Freedom Mobile's LTE-Advanced network, which was designed, planned and deployed by NOKIA, a global leader in mobile wireless technology and solutions (see discussion under "Wireless")
- our "Smart" suite of business services that includes SmartWiFi, SmartSecurity and SmartSurveillance, in collaboration with Cisco's Meraki and SmartVoice, in collaboration with Broadsoft (see discussion under "Business")



WIRELESS

Our Wireless division, through Freedom Mobile, provides wireless voice and data services through an expanding and improving wireless network infrastructure

WIRELINE - CONSUMER

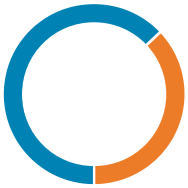
Our Wireline - Consumer division connects consumers in their homes and on the go with broadband Internet, Shaw Go WiFi, video (including BlueSky TV) and traditional home phone services

WIRELINE - BUSINESS

Our Wireline - Business division provides business customers with a full suite of connectivity and managed services, including Internet, data, WiFi and phone, which enables them to focus on building their business

WIRELESS

2018 Wireless Revenue



$951 MILLION

63% Service

37% Equipment and other

2017 Wireless Revenue

$605 MILLION

80% Service

20% Equipment and other

	2018		2017	
(millions of Canadian dollars)	**$**	**Increase**	**$**	**Increase** [2]
Service	**595**	**23%**	**482**	**116%**
Equipment and other	**356**	**189%**	**123**	**116%**
Wireless revenue	**951**	**57%**	**605**	**116%**
Operating income before restructuring costs and amortization [1]	**176**	**32%**	**133**	**125%**

(1) Refer to key performance drivers.

(2) On March 1, 2016, Shaw acquired Mid-Bowline Group Corp. and its wholly owned subsidiary, Freedom Mobile (formerly, WIND Mobile). Revenue and operating income before restructuring costs and amortization in fiscal 2016 is for the period from March 1, 2016 to August 31, 2016.

Our Wireless division was formed following the acquisition of Freedom Mobile in March 2016. This acquisition transformed Shaw into a leading Canadian connectivity company, adding the critical wireless component to our converged network. Our Wireless division currently operates in Ontario, Alberta and British Columbia, offering the leading alternative for mobile services to the three national wireless incumbent carriers.

Launch of Big Gig Plans

In October 2017, Freedom Mobile, by leveraging its newly built AWS-3 LTE-Advanced Network, launched the Big Gig data plans, targeting a data-centric customer with 10 GB of data for only $50 per month – unlike any other plan offered in Canada at that time. Paired with the most popular devices, the Big Gig plans and ongoing improvements in the strength and capacity of our network is part of our commitment to giving Canadians a better option when choosing a wireless service provider.

Distribution Network

In fiscal 2017, our distribution network included over 300 branded stores and kiosks, which were owned by Freedom Mobile or independent dealers. Most of our sales have been made through these physical outlets. During 2018, we continued to expand our retail network by entering into distribution agreements with Loblaws and Walmart. Freedom Mobile products and services are currently being distributed in approximately 100 Loblaws' "The Mobile Shop" locations and approximately 140 Walmart locations throughout Ontario, Alberta and British Columbia. When combined with our existing corporate and dealer store network, we remain on track to have approximately 600 retail distribution locations operational in early fiscal 2019. In fiscal 2018, we also introduced a new format to our corporate stores which will continue to roll out and expand into new markets in 2019. These retail distribution growth initiatives will substantially improve the accessibility of Freedom Mobile's Wireless products and services which is expected to help close our historical retail distribution gap with other wireless providers in the markets we serve.

While online sales comprised a relatively small portion of Freedom Mobile's sales in fiscal 2018, we continue to improve Freedom Mobile's digital sales platform and initiatives which are expected to increase on-line sales.

Handset Availability

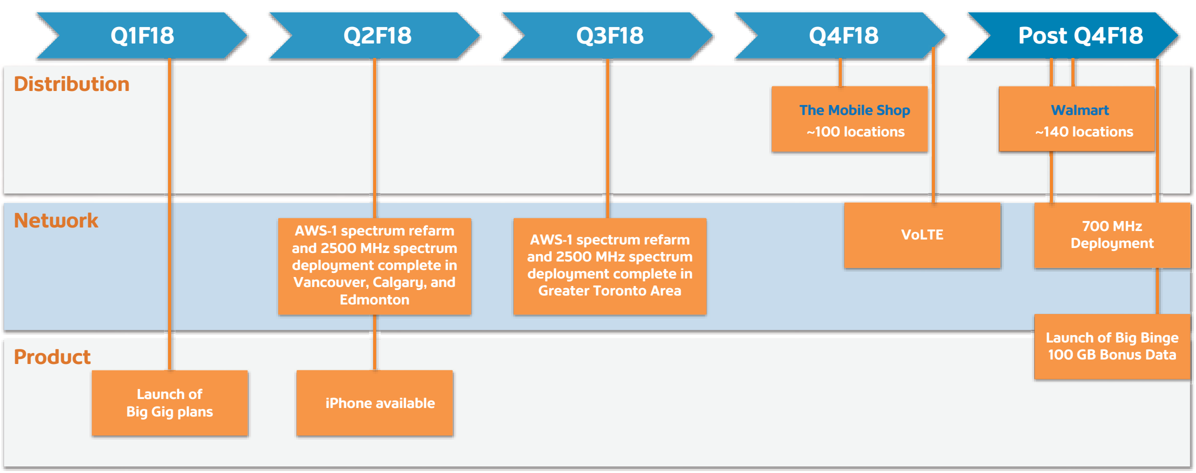
In December 2017, we began selling Apple iPhone products compatible with our AWS-3 LTE network. Freedom Mobile customers can either bring their own device to the network or participate in one of Freedom Mobile's discretionary wireless handset discount plans – MyTab and MyTab Boost. MyTab allows Freedom Mobile customers to pay a discounted price for a handset upfront with no predetermined monthly incremental charge. MyTab Boost allows Freedom Mobile customers to receive a further reduction on the upfront payment for a handset which could be as low as $0 if they pay a predetermined incremental amount on a monthly basis.

As more carriers adopted the AWS-3 LTE network technology in fiscal 2018, many iconic devices in high consumer demand including the Apple 8, 8+, X, XR, XS, XS+, Samsung S8, S9, and Note 9 became compatible with Freedom Mobile's AWS-3 LTE network. With T-Mobile, AT&T, and Verizon all using AWS-3 spectrum, we expect the handset ecosystem will continue to produce broader handset options.

Network Upgrades

In October 2017, we announced another significant step forward as we began deploying Freedom Mobile's recently acquired 2500 MHz spectrum and refarming a portion of our AWS-1 spectrum to enhance customers' access to LTE data speeds. The refarming of 10 MHz of AWS-1 spectrum has made it easier for Canadians to bring their own devices to Freedom Mobile and enjoy the full benefit of our LTE-Advanced network where previously they had 3G service.

Fiscal 2018 Highlights



In fiscal 2018, we successfully upgraded and deployed 2500 MHz in high traffic sites in the GTA, Calgary, Edmonton and Vancouver. This step, along with completion of the re-farming of 10 MHz of our existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018, resulted in a large majority of our existing customers migrating from 3G to LTE service using their existing devices. This transition has shifted our data traffic from 92% on a 3G service to the current 80% on our LTE network, which now offers LTE service across three spectrum bands – AWS-1, AWS-3 and 2500 MHz. As a result, service has significantly improved for customers that were migrated from 3G to our AWS-1 and 2500 MHz LTE network as well as for our remaining 3G customers.

We are currently focused on rolling out our 700 MHz spectrum, which will continue throughout fiscal 2019 and once fully deployed, will enable our Wireless customers with compatible devices to receive an improved service experience, particularly in dense urban areas. In the third quarter of fiscal 2018, we began deploying the 700 MHz spectrum in key cell site locations in the GTA, Calgary, Edmonton, and Vancouver. (see "Shaw's Wireless Network").

5G Technical Trials

In May 2018, we announced the successful completion of our first 5G technical trials in Calgary. Conducted in collaboration with Nokia, CableLabs and Rohde & Schwarz, our trials leveraged 28 GHz mmWave and 3.5GHz spectrum and demonstrated the significant and sustained speeds for the next generation of wireless technology. The 5G trials were conducted using pre-commercial equipment at Shaw's Barlow Campus Technology Centre in Calgary and leveraged developmental 28GHz licenses provided by Innovation, Science and Economic Development ("ISED"). As part of this trial, we also conducted comparative testing between 28GHz and 3.5GHz spectrum to better understand the interoperability between two of the bands considered vital to the growth and proliferation of 5G. We will continue to conduct technical trials in fiscal 2019 to test the 5G ecosystem as part of our larger commitment to improving performance across our LTE-Advanced network.

While the distribution and network improvements that we have implemented continue to provide significant benefits to customers today, we are also making decisions that reflect our long-term view regarding new technologies that are on the horizon. In 2018, the government announced consultations to release certain spectrum bands that will support 5G wireless network deployment. This exciting step provides further visibility into the deployment of 5G where our Wireline and Wireless networks are very well positioned. We are pleased that our initial trials have been a success and, through our partnerships with best-in-class industry leaders, we will work to better understand the strengths and capabilities of 5G while continuing to invest in our network to offer Canadians a new era of strong and sustainable competition for the next generation of wireless technologies.

Subscriber and ARPU Growth

Approximately 16 million Canadians reside within our current mobile wireless network service area. Our Wireless division's customer base is growing, with over 1.4 million customers, including over 255,000 net new customers added in fiscal 2018. The growth of Freedom Mobile's subscriber base was complemented, on an annual basis, by ARPU improvement of 6.1% to $39.26 over fiscal 2017, reflecting the appeal of our differentiated value proposition.

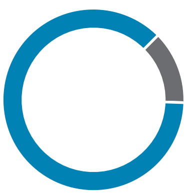
Since acquiring the Wireless business in the spring of 2016, we have made significant investments and improvements to our network and our service. We are excited by the tremendous growth potential of the Wireless business, and, as shown by our results this year, we are committed to delivering a strong and competitive wireless alternative that will benefit all Canadians.

Our Wireless operating footprint covers ~16 million people or almost 50% of the Canadian population[(1)]

(1) Assumes Canadian population of 35 million (https://www.statcan.gc.ca/pub/12-581-x/2017000/pop-eng.htm)

WIRELINE

2018 Wireline Revenue

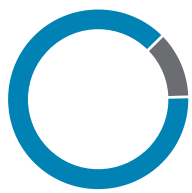


$4.3 BILLION

87% Consumer

13% Business

2017 Wireline Revenue



$4.3 BILLION

88% Consumer

12% Business

	2018		2017	
(millions of Canadian dollars)	**$**	**Increase / (Decrease)**	**$**	**Increase / (Decrease)**
Consumer	3,725	(0.6)%	3,747	(0.1)%
Business	567	6.4%	533	3.5%
Wireline revenue	4,292	0.3%	4,280	0.3%
Operating income before restructuring costs and amortization (1)	1,913	2.6%	1,864	(2.9)%

(1) Refer to key performance drivers.

We are transforming our Wireline business to enable an agile, digital-first company that will continue to meet the needs of our customers. In fiscal 2018, we introduced a significant amount of change that resulted in a leaner organization and a management team with clear accountabilities, direction and targets as we head into the new fiscal year. We will remain focused on delivering profitable growth and stabilizing our Consumer results by improving on our execution, leading with strong broadband services and optimizing our Video packages.

Our brand promise to our customers is that, with Shaw, "they won't miss a thing".

Our Consumer division provides residential customers with leading connectivity experiences on two platforms.

- Wireline Services – we provide broadband Internet, Shaw Go WiFi, Video and Phone services to customers that are connected to our local and regional hybrid-fibre coaxial ("HFC") network in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario
- Satellite Services – we provide Video by satellite to customers across Canada

Wireline Internet, Video and Phone Services

Shaw is one of the largest providers of residential communications services in Canada. Our Consumer division connects families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario through our HFC network with broadband Internet, Shaw Go WiFi, Video and Phone services to meet their needs at home and on the go.

As our customers' needs evolve, we continue to focus on innovative value-added service offerings. Our customer-centric strategy is designed to deliver a quality customer service experience, value and choice for our customers.

Internet

As a leading Canadian connectivity company, we believe that the Internet plays a fundamental role in connecting our customers to the world and everything in it. We recognize the importance of providing reliable, affordable and worry-free connectivity to meet the ever-increasing appetite of our customers for discovery, social connectivity and streaming.

Building on the success of our WideOpen Internet 150 offering, in July 2018, we introduced Internet 300 – doubling our fastest residential speed with Unlimited Data – which is available across virtually all of our cable footprint. Canadian homes are now equipped with more devices today than ever before. Internet 300 with Unlimited Data allows our customers to stream, game, make video calls and surf the web all at the same time, with improved buffering time and without incurring additional data charges.

We continue to focus on our 2-year Value Plans, which gives customers price certainty and is expected to increase retention. Our full Internet line-up, which now ranges from Internet 15 to Internet 300, gives our customers that live within our cable footprint choice, value, and reliable connectivity. In the third quarter of fiscal 2018, we launched our first DOCSIS 3.1 advanced Wi-Fi modem (XB6), powered by Comcast, which enables faster internet speeds, supports more devices and ensures a stronger in-home internet connection.

In addition to our reliable service, a key value-added differentiator for Shaw Internet customers is access to our carrier-grade Shaw Go WiFi network, which continues to show growth in the number of devices connecting to our network. Over 3.3 million devices have authenticated on our Shaw Go WiFi network and there are over 100,000 access points used by our customers in coffee shops, restaurants, gyms, malls, public transit and other public spaces covering locations from British Columbia to Ontario.

In fiscal 2018, Shaw in partnership with the City of Vancouver, continued to expand the #VanWiFi public network making it one of the largest free public Wi-Fi networks in North America. In total, those who live, work and visit Vancouver have access to free public Wi-Fi at over 600 locations throughout the city.

Video

Our wireline Video services continue to offer a wide selection of standard definition ("SD") and high definition ("HD") television channels with access to one of Western Canada's largest selection of on-demand titles, including access to both free and paid movies, television shows and music content.

Our Video customers can choose from a selection of primary packages and can add additional channels from a variety of sports, family and other theme specialty packages, as well as a number of individual channels offered on a channel-by-channel basis. Customers can customize their channel lineups by selecting preferred theme pack subscriptions or can default to our suggested theme packs for each service level. Customers can also add extra theme packs, individual channels and premium services to round out their viewing experience.

Our flagship Video offering is the Comcast Xfinity-based Video service, which is branded as Shaw BlueSky TV. BlueSky TV is available across our cable footprint and features a voice-powered remote, enhanced search capabilities, custom recommendations, personalized experiences and parental guidance and controls.

Since its launch, we have continued to add to the BlueSky experience with additional features and integrations. In September 2017, we introduced the integration of Netflix into BlueSky TV's interface, a significant milestone in our BlueSky TV Video roadmap. In June 2018, we introduced the integration of YouTube and YouTube Kids apps into the intuitive BlueSky TV platform. Early in the fourth quarter of fiscal 2018, we launched our first 4K ready set top box which provides access to Netflix 4K content for customers that subscribe to Netflix 4K. Users can now stream videos and keep up with livestreams from the comfort of their couches in a whole new way – revamping the TV, Netflix and YouTube experience. These integrations mark a significant improvement in a customers' content search experience – a single voice search command now returns content available for viewing from live TV, Video On Demand, YouTube and Netflix (where subscribed) – it's all in one place.

Our Video customers also have access to the X1 based "FreeRange TV" which is free for Shaw TV customers. The app makes available, over the Internet and mobile devices, a large library of content, including current TV shows, movies, sports, and shows for kids. Free Range TV was also enhanced to offer download-to-go movies on a number of channels which enables our customers to travel with the video experience they enjoy at home.

Phone

Our Phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and Video services.

Satellite Services

Shaw Direct connects families across Canada with Video and audio programming by satellite. Shaw Direct customers have access to over 550 digital video channels (including over 250 HD channels) and over 10,000 on-demand, pay-per-view and subscription movie and television titles.

Similar to our wireline Video service, our satellite customers can select a primary TV package that includes a set number of base channels plus a selection of add-on channels. Shaw customers can further customize their TV packages by adding additional theme packs, premium packages and individual channels.

Shaw Direct is one of two licensed satellite Video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite video is generally stronger in rural areas. The service is marketed through Shaw Direct and a nation-wide distribution network of third party retailers.

We are committed to securing and delivering leading technology for our customers. Currently, we have access to three satellites that will enable us to enhance our offerings with nearly all HD programming and improved service quality. Our plan to move all Video services from MPEG-2 to MPEG-4 to improve the operational efficiencies of Shaw's transponders in three phases is progressing and on schedule. We expect to be 100% MPEG-4 by the fall of 2019, and to be able to offer all carried and available English and French services in HD by early 2020. The efficiencies gained from the conversion from MPEG-2 to MPEG-4 allowed Shaw Direct to launch a total of 31 new HD channels in fiscal 2018.

A listing of our satellite capacity is provided below.

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2 [(1)]	16 Ku-band	Owned
	6 Ku-band	Leased
Anik F1R	28 Ku-band	Leased
	1 C-band	Leased

(1) On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada. As part of the transaction, the leases to access the Anik F2 2 Ku-band (partial) and the Intelsat Galaxy 16 1 Ku-band (partial) were assigned to Omnitracs Canada.

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Our Consumer Video business does not depend on any single customer or concentration of customers.

BUSINESS

Shaw Business provides connectivity solutions to business customers of all sizes, from home offices to medium and large-scale enterprises, leveraging our business grade HFC and fibre-to-the-premise ("FTTP") network. Through the acquisition of ENMAX Envision Inc. in 2013, Shaw significantly increased its fibre footprint and profile among larger enterprise customers in Calgary, Alberta.

The range of services offered by Shaw Business includes:

Fibre Internet

- Scalable, symmetrical fibre Internet solutions from 10 Mbps to more than 10 Gbps.

Business Internet

- In the fourth quarter, Shaw Business launched Internet 300 to meet our business customers' growing bandwidth needs.
- All of our Business Internet 20, 75, 150 and 300 packages offer unlimited data usage, one dynamic and one static IP address and are available on month-to-month, 1, 3, and 5-year terms.

Data Connectivity – secure private connectivity for multiple locations

Voice Solutions

- Shaw Business offers a range of voice solutions from traditional analog to digital Business Phone and robust, fully-managed voice systems with unified communications functionality.
- Shaw Business Digital Phone offers more than 18 business features including multi-line hunting, voicemail to email and an included toll-free number.
- In addition to competitive long-distance rates across the globe and month-to-month uncontracted rates, Shaw Business phone customers have 1, 3, and 5-year contracted options to provide cost consistency for their business.

Video

- Video and audio service offering content for public viewing.
- Similar to our consumer Video service, Business cable and satellite customers can choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis.

Broadcast Video

- Delivers high-quality Video to service providers across North America in real time.

Shaw) Business

Shaw has positioned itself as a trusted business advisor with a focus on the small and medium business ("SMBs") segment of the market. Shaw Business takes care of all aspects of its customers' increasingly complex always-on connectivity requirements so they can focus on growing their business. As part of this strategy, Shaw has collaborated with global scale technology leaders to offer its "Smart" suite of easy to use and flexible managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions that are increasingly valued by SMBs as the digital economy grows in scope and complexity.

The Smart suite of services includes:

SmartVoice

- SmartVoice is a unified communications solution that integrates instant messaging, presence, email, video conferencing and a mobile application that is built on Broadsoft's BroadWorks platform.
- From comprehensive traditional phone features such as auto-attendant, hunt groups and call recording to collaboration tools such as instant messenger and screen sharing, SmartVoice gives businesses the flexibility to work in a modern way.
- SmartVoice offers three different levels of packaging based on business needs and is available on 1, 3, or 5-year contract terms.

SmartWiFi

- SmartWiFi is a fully-managed Internet solution deployed over Cisco's Meraki platform that enables seamless, secure wireless connectivity for employees and guests in the office.
- SmartWiFi also enables access to the cloud portal where customers can easily manage their service, configure their set service identifiers, or SSIDs, to gain insight from network analytics and create a custom splash page.
- Available at speeds of 75, 150 or 300 megabits per second, plus Wireless access points, SmartWiFi provides our customers with exceptional Wi-Fi coverage on 1, 3, or 5-year contract terms.

SmartSecurity

- SmartSecurity is a fully-managed network security platform deployed over Cisco's Meraki platform that protects a wired and Wi-Fi network at the edge with access control, virus protection, the ability to control which applications run on the network, content filtering and the connection of branch locations. A SmartSecurity premium package also includes the ability to set-up a secure virtual private network, or VPN.
- SmartSecurity is available when bundled with SmartWiFi or Business Internet on 3 or 5-year contract terms.

SmartSurveillance

- SmartSurveillance is a fully-managed, enterprise-grade security camera solution deployed over Cisco's Meraki platform. Managed through a cloud-portal, SmartSurveillance enables business owners to view footage and manage their cameras from anywhere using an intuitive on-line dashboard. Sophisticated features, such as motion-based search and heat mapping, allow owners to quickly find footage of interest and identify activity patterns.
- SmartSurveillance can also be bundled with SmartWiFi or Business Internet on a 3 or 5-year contract terms.

Software Defined Wide Area Network ("SD-WAN")

- SD-WAN provides businesses with a better way to connect multiple offices in a scalable and cost-effective manner on a cloud-managed platform.
- With integrated security, seamless three level failover and intelligent path control, SD-WAN enables companies to deploy a resilient, cost-effective, high-bandwidth connectivity solution.

- Powered in partnership with Cisco Meraki, SD-WAN sites are connected by internet links secured by our SmartSecurity service which provides network protection and cloud-based security policy updates to protect businesses from the latest vulnerabilities and network threats.

Session Initiation Protocol ("SIP") Trunking

- Our next-generation SIP Trunking solution, on the Broadsoft platform, delivers a centralized voice solution managed in an easy-to-use cloud portal.
- SIP allows customers to pay only for what they need with the ability to scale the system quickly as businesses grow.
- The integration with Broadsoft's platform provides businesses with access to unified communications features such as video conferencing, call queuing and auto-attendant as well as the ability to join offices with SmartVoice and SIP into the same environment to save cost and increase efficiency.

On the success of its SmartSuite of products, Shaw Business continues to grow at a steady pace despite recent years of economic challenges experienced in parts of western Canada. Highlighted by growth in the SMBs markets, our Business division continues to consistently increase its customer base, revenue and profitability.

In order to continue to meet the evolving needs of our customers, we are executing our plan to ensure that our wireline network keeps pace with our customers' expectations for bandwidth, speed and reliability. See "Shaw's Wireline Network" for a description of our wireline network and the advances that we are undertaking.

Shaw Business, through the Calgary1 data centre, also provides hybrid IT services to customers in western Canada. These services are a natural complement to Shaw Business' current offerings.

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers ("ISPs"), other communications companies, broadcasters, governments and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European and Asian networks and other tier-one backbone carriers. All service solutions are sold on 1, 3 or 5-year terms and pricing is negotiated based on the specific solution provided to the customer.

Broadcast Services

Shaw Broadcast Services uses our substantial fibre backbone network to manage one of North America's largest full-service commercial signal distribution networks, delivering more television and radio signals by satellite to cable operators and other multi-channel system operators in Canada and the US than any other single-source satellite supplier. This business is referred to as a "satellite relay distribution undertaking" or "SRDU". Shaw Broadcast Services currently provides SRDU and advanced signal transport services to over 300 distribution undertakings and redistributes over 500 television signals and over 100 audio signals in both English and French to multi-channel system operators.

Tracking

On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada for approximately US$20 million.

Shaw's Wireline Network

At Shaw, we are proud of our advanced wireline network, which combines the power of fibre, coax, and Wi-Fi and is comprised of Shaw's:

- North American fibre backbone;
- Regional fibre optic and co-axial distribution networks; and
- Local Shaw Go WiFi connectivity.

Wireline Backbone

The backbone of Shaw's wireline network includes terabits of capacity over multiple fibres on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Regina, Winnipeg, Toronto, Chicago and Buffalo). The northern route consists of approximately 4,000 route kilometres of fibre between Edmonton and Toronto (via Saskatoon, Winnipeg and Thunder Bay). A third secured capacity backbone route for advanced redundancy is located from Vancouver to Edmonton to Calgary and Calgary to Toronto through Dallas and New York. These routes, along with a number of other secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including (i) Vancouver and Calgary, (ii) Seattle and San Jose, (iii) Seattle and Calgary, (iv) Seattle and Vancouver, (v) Toronto and New York City, (vi) Toronto and Montreal, and (vii) Edmonton and Fort McMurray.

Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and HFC distribution networks.

In fiscal 2018, we completed the deployment of the newest generation of cable modem termination system equipment referred to as the Converged Cable Access Platform ("CCAP").

This equipment enhances the capabilities of our HFC network and enables Shaw to leverage the next generation of cable access technology known as Data over Cable Interface Specification version 3.1 ("DOCSIS 3.1"). Combined with the launch of our latest generation of DOCSIS 3.1 enabled Cable modem, the XB6, the upgrade allowed us to launch Wide Open Internet 300 in July 2018 which is now widely available across virtually all of our cable footprint. DOCSIS 3.1 is also being leveraged to provide wireless backhaul services for our Freedom Wireless LTE small cells, providing significantly improved wireless coverage and capacity in both indoor and outdoor locations, while minimizing deployment and upgrade costs.

In conjunction with our DOCSIS 3.1 upgrades, we are continually increasing the spectrum usable on our cable plant, enabling increased upstream and downstream capacities. These combinations will continue to allow cable technology to achieve fiber equivalent performance in download and upload speeds at a fraction of the costs.

Shaw continues to optimize the capacity and efficiency of our wireline network and has virtually eliminated network congestion by deploying fibre optic cable deeper into our access networks and closer to where our customers reside. We continue to increase the number of optical serving areas or "nodes" in the wireline network. This is a continual process that we apply year-over-year to increase fibre optic usage in our wireline network and reduce the distance signals travel over coaxial cable to each consumer. Driving fibre deeper into our network also supports wireless and business service deployments, as well as future services such as 5G, FTTP, or the newly released Full Duplex DOCSIS ("FDX") specification, which are all potential building blocks for multi-gigabit symmetrical services over co-axial infrastructure.

Shaw Go WiFi

Shaw has created Canada's most extensive service provider Wi-Fi network, Shaw Go WiFi. Shaw Go WiFi extends a customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience. Over 3.3 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are approximately 100,000 access points. In addition, we have entered into agreements with 108 municipalities to extend Shaw Go WiFi service into public areas within those cities.

Shaw's Wireless Network

Shaw partnered with NOKIA to roll-out our next generation LTE-Advanced wireless network to our customers in our existing markets in Ontario, Alberta and British Columbia. LTE-Advanced is the latest standard of cellular technologies available in the marketplace today. Until the launch of our LTE-Advanced network to all of our existing markets in fiscal 2017, all of our customers were served by our 3G network using AWS-1 spectrum. In fiscal 2017, LTE roaming was launched with Bell, Rogers, and AT&T offering more than 97% of the Canadian and US population roaming coverage outside of Freedom Mobile's existing markets to Freedom Mobile customers that subscribe to an LTE plan.

In October 2017, we announced the deployment of the 2500 MHz spectrum acquired from Quebecor and re-farming of a portion of our existing AWS-1 spectrum which will enhance our customers' access to LTE data speeds. This step along with completion of the re-farming of 10 MHz of our existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018 resulted in a large majority of our existing customers migrating from 3G to LTE service using their existing devices. This transition resulted in our data traffic moving from 92% on a 3G service to the current 80% on our LTE network, which now offers LTE service across three spectrum bands – AWS-1, AWS-3 and 2500 MHz. As a result, service significantly improved for customers that were migrated from 3G to our AWS-1 and 2500 MHz LTE network as well as for our remaining 3G customers.

In the fourth quarter of fiscal 2018, we launched Voice over LTE ("VoLTE") nationwide across all three of our LTE spectrum bands – AWS-1, AWS-3 and 2500 MHz – offering our customers with compatible devices an improvement in voice quality and a reduction in call set-up time. In fiscal 2018, we also started deploying small cell technology (low-powered wireless and receivers with a range of 100 m to 200 m), designed to provide network coverage to smaller areas. As tall high-power macro towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality, speed, capacity and coverage improvements in these high traffic areas.

The Company is currently focused on building out its 700 MHz spectrum, which will continue throughout fiscal 2019 and where deployed, 700 MHz will enable Wireless customers with compatible devices to receive an improved service experience both in-building as well as extending service at the edge of our current coverage area. In the third quarter of fiscal 2018, the Company started deploying its 700 MHz spectrum in key cell sites locations in the GTA, Calgary, Edmonton, and Vancouver.

Spectrum holdings

On July 24, 2017, the Company acquired 700 MHz and 2500 MHz wireless spectrum licences from Quebecor for $430 million. The spectrum licences acquired are comprised of 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta, and Southern Ontario and the 20 MHz licences of 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary, and Toronto. This spectrum and the incremental network investment to deploy the spectrum, will materially improve our long-term wireless customer experience and further enable our ability to offer converged network solutions. We have transitioned 10 MHz of our AWS-1 spectrum from 3G to LTE-Advanced which improved network performance and makes LTE-Advanced available to more of our customers.

Our Wireless division currently holds 50 MHz of AWS spectrum, 10 MHz of 700 MHz and 20-40 MHz of 2500 MHz spectrum in the main service areas of Southern Ontario, Alberta and British Columbia. We also hold 20-60 MHz of AWS spectrum, 0-10 MHz of 700 MHz and 0-30 MHz of 2500 MHz spectrum in other markets within Southern Ontario, Eastern Ontario, Alberta and British Columbia. As discussed below, ISED conducted a consultation regarding the policy framework for the 600 MHz spectrum auction. In March 2018, ISED released its decision on the policy and licensing framework for the 600 MHz band. In the decision, ISED established a set aside of 30 MHz for eligible entities of the total 70 MHz of spectrum that will be available in an auction that will commence on March 12, 2019. (for further detail see "Government Regulations and Regulatory Developments –Radiocommunication Act – Wireless Spectrum Licences").

The Company expects that its spectrum assets will continue to support anticipated growth in LTE subscribers, as well as its 3G network subscribers, and supports new growth, geographic diversification, and scale opportunities in the markets in which we operate.

Equity Interest in Corus

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. Its portfolio of multimedia offerings encompasses 44 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus' roster of premium brands includes Global Television, W Network, OWN: Oprah Winfrey Network Canada, HGTV Canada, Food Network Canada, HISTORY®, Showcase, National Geographic Channel, Q107, CKNW, Fresh Radio, Disney Channel Canada, YTV and Nickelodeon Canada. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in April 2016, the Company received 71,364,853 Corus Class B non-voting shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing and the final one third for 24 months post-closing. The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan until September 1, 2017. For the year ended August 31, 2018, the Company received dividends of $92 million (fiscal 2017– $88 million) from Corus, $nil (fiscal 2017 – $81 million) were reinvested in additional Corus Class B non-voting participating shares as the Company withdrew from Corus' dividend reinvestment plan on September 1, 2017. On June 27, 2018, Corus announced an 80% dividend cut effective September 1, 2018, which results in expected cash dividends to the Company of approximately $19 million in fiscal 2019 compared to the $92 million in cash dividends received in fiscal 2018.

At August 31, 2018, the Company owned 80,630,383 (2017 – 80,630,383) Corus Class B non-voting shares having a fair value of $298 million (2017 –$1,109 million) and representing 38% (2017 – 39%) of Corus' total issued equity of Class A and Class B shares. The Company's weighted average ownership of Corus for the year ended August 31, 2018 was 39% (fiscal 2017 – 38%). Although the Corus Class B non-voting shares do not have voting rights, the Company is considered to have significant influence due to Board representation. In addition, Shaw Family Living Trust ("SFLT") and its subsidiaries control both Shaw and Corus. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (Chair), Bradley S. Shaw, four other members of JR Shaw's family and one independent director (See "Related Party Transaction – Corus").

In the third quarter of fiscal 2018, the Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 million was required. The recoverable amount was determined based on the value in use of the investment.

Community Investment

By partnering with leading charitable organizations and leveraging our range of sponsorship, marketing and public relations assets, we are making a positive impact on hundreds of thousands of kids, youth, and families across Canada, while demonstrating our community investment leadership to our employees, customers, and stakeholders

Under the umbrella of the Shaw Kids Investment Program ("SKIP"), Shaw supports charitable and community organizations that improve the lives of Canadian kids. In 2018, Shaw contributed over $45 million in cash and in-kind support – as well as 11,000 hours of volunteer time – to over 700 local and national youth-focused charitable organizations.

The Shaw Charity Classic held from August 29 – September 2, 2018 marked the sixth year of the PGA TOUR Champions event hosted in Calgary which has become a significant fundraising platform for Alberta's children and youth charities. In 2018, the Shaw Charity Classic raised $10 million, benefitting 182 organizations that help more than 500,000 kids and families in Alberta. Since its inception in 2013, the Shaw Charity Classic has raised over $32 million for Alberta charities, fully demonstrating Shaw's impact as both an employer and corporate citizen when sponsorship and community investment activities are integrated to support the programs and organizations that are building positive communities for kids and youth.

In 2018, Shaw continued its efforts to support positivity, inclusion, and respect in schools, through our Shaw Kindness Sticks grants. The initiative invited youth across Canada to think of how they can help promote kindness and respect in their schools for a chance to receive a grant of up to $5,000 to bring their idea to life. We received 150 applications from kids and youth across the country, and prominent Canadian athletes, icons, and community builders joined Shaw in selecting the top 10 ideas to be awarded funding.

GOVERNMENT REGULATIONS AND REGULATORY DEVELOPMENTS

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various pieces of legislation, including the Broadcasting Act (Canada) ("Broadcasting Act"), the Telecommunications Act (Canada) ("Telecommunications Act"), the Radiocommunication Act (Canada) ("Radiocommunication Act") and the Copyright Act (Canada) ("Copyright Act"). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and ISED, respectively. The allocation and use of wireless spectrum in Canada are governed by spectrum licences issued by, and radio authorization conditions set by, ISED pursuant to the Radiocommunication Act.

In June 2018, pursuant to the commitment in the federal government's 2017 budget, ISED and Canadian Heritage launched a joint review of the Broadcasting Act and the Telecommunications Act, which will also include a review of the Radiocommunication Act (the "Joint Review"). The Joint Review will be conducted by a panel of external experts tasked with studying the legislation and making recommendations to the Ministers of ISED and Canadian Heritage by January 31, 2020. The expert panel will examine issues such as telecommunications and content creation in the digital age, net neutrality and cultural diversity, and how to strengthen the future of Canadian media and Canadian content creation.

Limits on non-Canadian ownership and control

Neither a holding company that has a subsidiary operating company licensed under the Broadcasting Act, nor any such licensee, may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. Pursuant to the *Direction to the CRTC (Ineligibility of Non-Canadians)* (the "Direction"), non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer ("CEO") and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. If a holding company of a licensee does not satisfy the requirement that 80% of its board of directors be resident Canadians, it must have a CRTC-approved Independent Programming Committee ("IPC") in place to ensure that neither the holding company nor its directors exercise control or influence over the programming decisions of its subsidiary licensee. With CRTC approval, Shaw has implemented an IPC to comply with the Direction.

Similar restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act, the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian of a company operating pursuant to those Acts. Instead, the Telecommunications Act, the Radiocommunication Act and associated regulations require only that 80% of the voting shares of such entities be held by resident Canadians. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Broadcasting Act

Pursuant to the Broadcasting Act, the CRTC is mandated to regulate and supervise all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires broadcast distribution undertakings ("BDUs") to give priority to the carriage of Canadian services; to provide efficient delivery of programming services at affordable rates; to provide reasonable terms for the carriage, packaging and retailing of those programming services; and provides the option to operate a community channel. The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. The Company's broadcasting distribution business and on-demand programming services depends on licences (or operates under an exemption order) granted and issued by the CRTC under the Broadcasting Act. Pursuant to CRTC Regulations, the Company is required to contribute 5% of its cable and DTH BDUs' revenues to the production of Canadian programming.

Licensing and ownership

In August 2018, the Commission renewed the Company's cable licences for a five-year term from September 1, 2018 to August 31, 2023. On August 31, 2018, the Company submitted renewal applications for its direct-to-home ("DTH") and Satellite Relay Distribution Undertaking ("SRDU") licences which expire on August 31, 2019.

In May 2017, Shaw On Demand's licence was renewed for a five-year term from September 1, 2017 to August 31, 2022. On August 31, 2018, the Company submitted renewal applications for Shaw Pay-Per-View's ("PPV")'s terrestrial PPV and DTH PPV licences which expire on August 31, 2019.

New media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage. The CRTC has decided to not impose a levy on the revenue of exempt digital media undertakings to support Canadian new media content.

The potential for new or increased fees

Any changes to the Broadcasting Act pursuant to the Joint Review (see "Government Regulations and Regulatory Developments") could impact the business practices of the Company, or result in new fees payable by the Company's cable, DTH or SRDU services. New fees could also be imposed pursuant to CRTC Regulation, as the Commission indicated that in 2019-2020 it may consider ways to support television news production through increased access to subscription revenue, which could increase costs for the Company's cable and DTH services.

CRTC Regulations require cable BDUs to obtain the consent of an over-the-air ("OTA") broadcaster to deliver its signal in a distant market (which can be either within the province of origin or out-of-province). In the case of DTH BDUs, CRTC Regulations permit the distribution of local OTA television signals on a distant basis without consent within the province of origin, but DTH BDUs must obtain broadcaster consent to deliver the OTA television signal out-of-province unless the DTH BDU is required to carry the signal out-of-province on its basic service. Broadcasters may assert a right to limit distribution of distant signals or to seek remuneration for the distribution of their signals in distant markets on the basis of the CRTC Regulations.

Telecommunications Act

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable high-quality telecommunication services. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Retail Internet, home phone services and mobile wireless services have been forborne from price regulation. However, regulations do affect certain terms and conditions under which Shaw's retail services are provided. As described further below under "Third Party Internet Access," certain Shaw wholesale services are regulated.

The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act and the regulations and rules promulgated thereunder. The technical operating aspects of the Company's businesses are regulated by technical requirements and performance standards established by ISED, primarily under the Telecommunications Act and the Radiocommunication Act.

Any changes to the Telecommunications Act pursuant to the Joint Review could impact the business practices of the Company, and/or result in new fees on the Company, for example, by requiring ISPs to contribute a fixed percentage of revenues to support the creation of Canadian content – a possible policy option presented in the CRTC's May 2018 report (see "Government Regulations and Regulatory Developments").

Third Party Internet Access

Shaw is mandated by the CRTC to provide a wholesale service at regulated rates that allows independent ISPs to provide Internet services at premises served by Shaw's wireline network ("Third Party Internet Access" or "TPIA"). In 2015, the CRTC completed a review of the wholesale wireline telecommunications policy framework, including TPIA, and: (i) extended mandated wholesale access services to include FTTP facilities; and (ii) initiated a shift to a new disaggregated wholesale Internet access service. The new disaggregated service will be phased-in over a period of three years and is intended to allow independent ISPs to reduce reliance on the transport facilities currently included as part of the regulated wholesale service. The CRTC has approved interim disaggregated rates for Ontario and Quebec. The CRTC has initiated a process to extend the disaggregated service into Western Canada, including Shaw's territory. Shaw has filed a proposed network architecture for disaggregated TPIA but has not yet been directed to file disaggregated tariffs or proposed rates for its serving area.

Although the CRTC has initiated a shift to a new disaggregated service, in October of 2016, the CRTC approved, pending the completion of its review of aggregated costing studies, interim aggregated rates which were lower than the proposed rates. At the completion of this review, the CRTC may require further adjustments to Shaw's costing studies, which may result in further reductions in the wholesale rates we charge for aggregated TPIA service.

The CRTC further indicated its intention to review the process for setting rates of regulated wireline and wireless wholesale services, including consideration of alternative costing approaches, the feasibility of using a common economic model by wholesale service carriers to establish wholesale rates and certain costing elements such as cost of capital.

Competition Bureau Study on the State of Competition in the Wireline Broadband Market

In May 2018, the Competition Bureau launched a market study into the state of competition in the wireline broadband sector, with a goal of identifying the steps that regulators or policy makers could take to enhance competition. Following the filing of submissions and expert reports by Shaw and other stakeholders, in October, the Bureau released an update to the Study as well as an online survey. The Bureau will continue with consultations during the Fall and Winter of 2019 and is targeting June 2019 for publication of its report. The Bureau's recommendations could influence future government and CRTC policies and regulations, including the CRTC's framework for wholesale wireline services and the regulations for TPIA.

CRTC Review of Wholesale Roaming Rates and Wi-Fi First

As part of its comprehensive policy framework for wholesale wireless services, the CRTC had established interim wholesale roaming rates pending its review of the costing studies submitted by the incumbent wireless carriers. In March 2018, the CRTC completed its review of rates for the mandated wholesale roaming service and established final rates that were lower than the interim rates set in early 2015.

In Telecom Decision 2017-56 the CRTC had determined that public Wi-Fi did not constitute a mobile wireless home network for the purposes of accessing mandated wholesale wireless roaming rates. In June 2017, the Governor in Council ("GiC") referred CRTC Telecom Decision 2017-56 back to the CRTC for review. The GiC asked the CRTC to review whether expanding the definition of home network to include public Wi-Fi would have a positive impact on the affordability of retail mobile wireless services and whether the negative impact of such a change on facilities-based investment and competition would outweigh the benefits. In March 2018, the CRTC declined to extend the mandated roaming regime to include Wi-Fi First providers.

The CRTC has indicated that it will review its regulatory framework for mobile wireless services beginning in 2019. As part of this review, the Commission will consider whether additional regulatory measures are necessary to further support the competitiveness of the market, such as mandating MVNO access or developing policies that facilitate the sharing or deployment of wireless facilities. If the CRTC reverses its previous positions, Wi-Fi First, MVNO and other resale providers could gain access to incumbent wireless networks at regulated rates for the purposes of roaming.

Lower-Cost Data Only Plans

In its Wi-Fi First Decision, the CRTC acknowledged the Government's concerns about wireless affordability at the lower end of the market, particularly for data-only packages, and found that it was unclear whether the market could be relied on to deliver lower-cost data only plans. Accordingly, the CRTC launched a new consultation to investigate the availability and pricing of data-only packages, including whether wireless carriers should be required to offer low-cost data-only packages. As part of this proceeding, the three national wireless incumbent carriers were required to propose an affordable data-only offering for comment. A CRTC decision to mandate the provision of these products at specific rates or other terms may affect our ability to compete in the data-only segment of the market.

Retail Sales Practices

In June 2018, the Governor in Council ("GiC") issued an order to the CRTC, directing it to investigate the retail sales practices used by Canada's large telecommunications carriers and report back to the GIC by February 2019 with its findings on the prevalence of such practices and how existing consumer protections could be expanded, or new protections developed, to ensure consumers are empowered and treated fairly by their service providers. Shaw was made a party to this proceeding by the CRTC and participated in the oral public hearing in October 2018. A decision to regulate our retail sales practices could impact our ability to serve our customers and could result in cost increases for the Company.

CRTC Internet Service Provider Code

On November 9, 2018, the CRTC initiated a proceeding to establish a mandatory code applicable to Internet services provided by larger, facilities-based ISPs, such as Shaw. The CRTC has tabled a draft Internet Code and will accept comments from the industry and the public, with final submissions due April 8, 2019. The CRTC has already enacted a Wireless Code and a Television Service Provider Code applicable to wireless and television service providers, respectively. If implemented, the Internet Code will require Shaw to modify its existing Internet contracts and related processes, which may negatively effect our business and also result in cost increases to the Company.

Access for wireline network

For its wireline network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the Telecommunications Act, Shaw may do so with the consent of the municipality or other public authority having jurisdiction.

Radiocommunication Act

Our Wireless division holds licences for the use of radiofrequency spectrum required to operate its mobile wireless business. Those spectrum licences are administered by ISED under the Radiocommunication Act. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

Any changes to the Radiocommunications Act pursuant to the Joint Review (see "Government Regulations and Regulatory Developments") could impact the business practices of the Company and/or the processes governing its acquisition of new spectrum for purposes of building its wireless networks.

Wireless Spectrum Licences

The Wireless division's AWS-1 spectrum licences were issued in 2009, for a term of ten years, and prior to expiration, the licences may be renewed. The AWS-3 spectrum licences were issued in April 2015 and have a term of 20 years. The 700 MHz and 2500 MHz spectrum licences that the Company purchased from Quebecor were initially issued in February 2014 and May 2015, respectively for a term of 20 years.

The applicable terms and conditions of renewal of our and other carriers' spectrum licences after the initial term are determined by ISED through public consultation processes that begin prior to the expiry of those licences. Following a public consultation in the summer of 2017, in early 2018 ISED issued its policy decision relating to the renewal of AWS-1 and other spectrum licences auctioned in 2008, including those held by our Wireless division. The decision confirmed that, if Freedom Mobile has met its conditions of licence, including any applicable deployment obligations, Freedom Mobile will have a high expectation to be eligible for renewal. We expect to meet the applicable requirements and conditions of licence for those spectrum licences that are material to our plans for the Wireless division. As expected, ISED also imposed more onerous deployment conditions for licences issued through the renewal process.

Over the past year, ISED conducted several spectrum policy consultations regarding spectrum bands that will be licensed or otherwise made available for future wireless deployments, including 5G. The consultations relate to:

- the release of millimetre wave spectrum in the 26 GHz, 28 GHz, 37-40 GHz and 64-71 GHz frequency bands
- revisions to the 3500 MHz Band to accommodate mobile services;
- the technical, policy and licensing framework to govern the auction of spectrum licences in the 600 MHz band for mobile use; and
- ISED's Spectrum Outlook, which reviewed the department's overall approach and planning activities related to the release of spectrum for commercial mobile services, licence-exempt applications, satellite services and wireless backhaul services over the years 2018-2022.

In March 2018, ISED released its decision on the policy and licensing framework for the 600 MHz band. In the decision, ISED established a set aside of 30 MHz for eligible entities (of the total 70 MHz of spectrum that will be auctioned off). The auction will commence on March 12, 2019.

In June 2018, ISED released its Spectrum Outlook decision. Citing the importance of mobile services and the future of 5G, ISED stated its intention to release a variety of low, mid and high band spectrum over the next several years. ISED's highest priority bands for release include 600 MHz, 3500 MHz and the millimetre wave bands for mobile, as well as 32 GHz, 70 GHz, and 80 GHz for backhaul use.

Decisions on the millimetre wave and 3500 MHz consultations are pending. We anticipate that ISED will hold further public consultations on a licensing process regarding the 3500 MHz band for mobile use.

ISED has a framework that sets out criteria for reviewing and approving license transfers, prospective transfers, and deemed license transfers, including consideration of the quantum and concentration of spectrum holdings before and after the proposed transfer.

Our Wireless division's operations could be materially affected by our failure to:

- obtain new or additional spectrum licences;
- renew existing spectrum licences;
- obtain approval of any transfer of spectrum licences; or
- procure spectrum licences that provide access to adequate allocations of low-band spectrum, which has superior propagation and penetration characteristics, or of other spectrum that is required for 5G.

In addition, the Wireless division could experience increased costs, or reduced revenues or reduced margins, or the deployment or service plans could be negatively affected by, amended or newly-adopted laws and regulations, or decisions of ISED or the CRTC. The CRTC and ISED can impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act, and the regulations and rules promulgated thereunder.

Access for Wireless Network

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers and/or sites owned and operated by third party tower and/or sites providers and the three national wireless incumbent carriers. Pursuant to the conditions of their spectrum licences and the CRTC's policy framework for wholesale wireless services, the three national wireless incumbent carriers must allow competitors, including Freedom Mobile, to co-locate equipment at these locations. However, the application and approval process for the sharing of towers is lengthy, and the ISED and CRTC processes that are available to enforce the existing rules can also be challenging and time consuming.

Copyright Act

Canada's Copyright Act accords the creators and owners of content various rights to authorize or be remunerated for the use of their works and performances, including, in some instances, by broadcast distribution undertakings. In addition, the Copyright Act creates certain exceptions that permit the use of copyrighted works without the authorization or remuneration of rights holders. Parliament initiated a mandated five-year review of the Copyright Act in December 2017. The Standing Committee on Industry, Science and Technology is conducting the review and will produce a report making recommendations to the Government in 2019. This process could lead to amendments to the Copyright Act that impact the terms and conditions applicable to the use of content, including the potential for increased fees, and the scope of flexibility with respect to the use of content pursuant to exceptions under the Copyright Act.

Furthermore, on November 5, 2018, the Government tabled Bill C-86, a budget implementation act. Bill C-86 contains proposed amendments to the Copyright Act that could result in an increase in fees payable by the Company to copyright holders. Increased payments could result from new rate-setting criteria that the Copyright Board would be required to consider if the Bill is passed, and new flexibility for copyright collective societies to proceed by way of negotiation, rather than tariff hearings, to establish the price for the use of copyright works.

Finally, pursuant to the Copyright Act, the Copyright Board of Canada ("the Copyright Board") oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services. The Copyright Board may also make rulings on the interpretation of the Copyright Act in the course of issuing copyright tariff decisions.

The potential for new or increased fees

The Copyright Board is currently considering a proposed tariff for the retransmission of programming in distant television signals for the years 2014 through 2018. The tariff proposed by the retransmission rights collectives would, if approved, represent a significant increase in the per-subscriber rates payable for the retransmission of programming in distant signals. The Company participated in the hearing process and objected to the tariff on behalf of its cable and DTH satellite divisions. The record of this proceeding is now complete, and the parties are awaiting the decision of the Copyright Board.

In addition, in August 2017, the Copyright Board issued a decision interpreting the scope and meaning of "making available" which is defined in the Copyright Act as part of the right to communicate a work to the public by telecommunication. In the Online Music Services proceeding, SOCAN and other rights owners argued that making a musical work available for download would trigger an obligation to pay public performance royalties to SOCAN. The Objectors, including the Company, argued that since downloading is not a public performance, SOCAN is not entitled to royalties for downloads. The Copyright Board held that while the act of downloading is not itself a communication to the public and, as such, is outside the scope of the proposed tariff, the act of loading copyright materials onto servers to facilitate downloading is a form of "making available" and a communication to the public and falls under the SOCAN tariff. The Company, along with a number of other broadcasting and internet companies, has filed an application for judicial review, arguing that the Board's interpretation is erroneous. If the Copyright Board's interpretation is upheld, it could lead to new claims by rights holders in connection with Company technologies that facilitate downloading.

United States, Canada and Mexico Agreement (USMCA)

On September 30, 2018, Canada announced that it had reached an agreement on a new North American free trade agreement between the US, Mexico and Canada, called the USMCA. The USMCA will, once ratified by all three parties, will replace NAFTA. US demands made in the course of negotiations for changes that could have had a material impact on the Company were not included in the USMCA. Until the USMCA is formally adopted pursuant to the legal requirements of each party country, the NAFTA will remain effective. There remains a possibility that a party will decline to finalize and implement the agreement. In such a case, there is a risk that negotiations towards an amended USMCA will be reinitiated, in which case the scope of negotiations and ultimate outcomes are unknown.

Personal Information Protection and Electronic Documents Act and Canadian Anti-Spam Legislation

The Personal Information Protection and Electronic Documents Act (Canada) ("PIPEDA") is Canada's federal privacy law regulating the collection, use and disclosure of personal information in Canada by a federally regulated organization in the private sector. Shaw has established a privacy policy and its internal privacy processes in accordance with PIPEDA.

PIPEDA provisions requiring mandatory reporting of serious privacy breaches, introduced in 2015, came into effect on November 1, 2018. These provisions require companies to (i) track all breaches of security safeguards that involve personal information under their control, and (ii) report to affected individuals and to the Office of the Privacy Commissioner serious breaches of personal information that create a real risk of significant harm. Any such breach and disclosure by Company could result in fines and significant reputational harm.

New consent Guidelines issued by the Office of the Privacy Commissioner of Canada ("OPC") will come into effect on January 1, 2019. These Guidelines set out principles for organizations to follow in order to obtain meaningful consent and require that organizations provide more interactive, easy-to-understand privacy disclosures to their users. The Company maintains internal practices and policies to facilitate compliance with the new consent Guidelines.

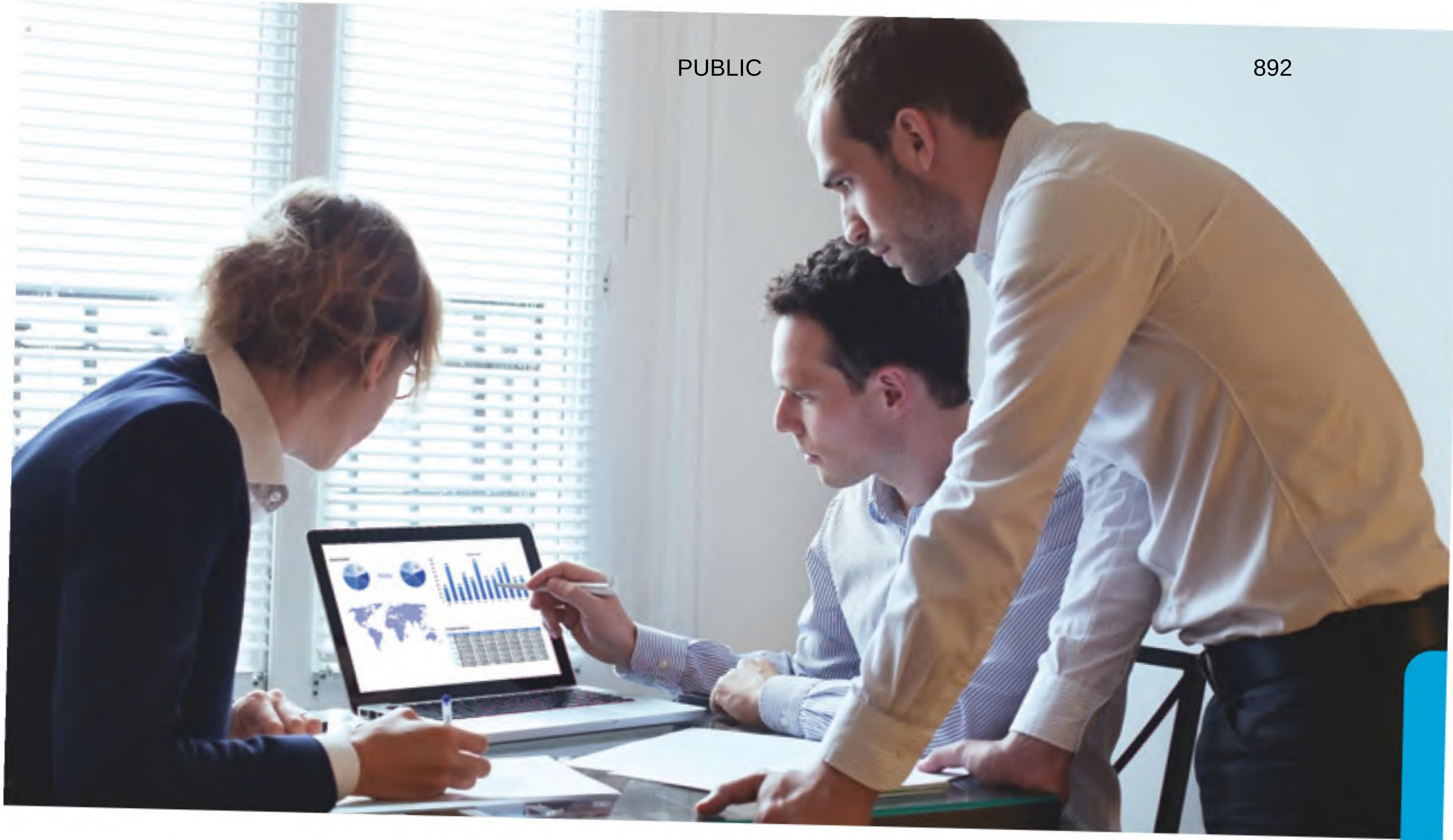
More broadly, the Government initiated a National Digital and Data Consultation in June 2018. This process includes consultations in connection with "Privacy and Trust" and could lead to changes to privacy regulation that increase privacy-related measures with which the Company is required to comply, as well as the Company's exposure to increased penalties and claims in connection with any non-compliance.

Canada's anti-spam legislation (together with the related regulations, "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. The Company maintains internal practices and policies to facilitate compliance with CASL.

On November 5, 2018, the CRTC issued guidelines on the Commission's approach to enforcement of CASL provisions prohibiting a party from, among other things, aiding a violation of CASL. These suggest that "Telecommunications and Internet Service Providers" could be found liable for violating CASL by facilitating or technically enabling services that transgress CASL. While the guidance suggests that liability would be linked to the level of control and connection with the violators, and whether reasonable safeguards were in place to prevent or stop a violation, no examples of potential liability for ISPs or telecommunications service providers were provided. As well, the guidelines indicate that awareness of a violation is not necessary for a finding of liability. As such, the new Guidelines create a risk that Shaw could be fined for non-compliance in connection with the provision of network services.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.



KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue.

	Year ended August 31,		
	2018	**2017**	**Change**
Wireline	**44.6%**	43.6%	1.0pts
Wireless	**18.5%**	22.0%	(3.5pts)
Combined Wireline and Wireless	**39.9%**	40.9%	(1.0pts)

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ability to service and/or incur debt, and therefore it is calculated before one-time items like restructuring costs, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

Relative increases period-over-period in operating income before restructuring costs and amortization and in operating margin are indicative of the Company's success in delivering valued products and services, and connecting customers to the world through a best-in-class seamless connectivity experience.

	Year ended August 31,	
(millions of Canadian dollars)	**2018**	**2017**
Operating income from continuing operations	**631**	999
Add back (deduct):		
Restructuring costs	**446**	54
Amortization:		
Deferred equipment revenue	**(30)**	(38)
Deferred equipment costs	**110**	122
Property, plant and equipment, intangibles and other	**932**	860
Operating income before restructuring costs and amortization	**2,089**	1,997

Net debt leverage ratio

The Company uses this measure to set its optimal leverage. Refer to "Liquidity and Capital Resources" for further detail.

Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and pay dividends to shareholders. Free cash flow is calculated as free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow from continuing operations is comprised of operating income before restructuring costs and amortization adding dividends from equity accounted associates, changes in receivable related balances with respect to customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow from continuing operations has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are reported on a combined basis for Consumer and Business due to the common infrastructure and separately for Wireless. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow from discontinued operations is comprised of income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items after deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions), cash taxes paid or payable, program rights amortization on assets held for sale, recurring cash funding of pension amounts net of pension expense and excludes non-controlling interest amounts that are included in the income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items.

Free cash flow is calculated as follows:

	Year ended August 31,		
(millions of Canadian dollars)	2018	2017	Change %
Revenue			
Consumer	**3,725**	3,747	(0.6)
Business	**567**	533	6.4
Wireline	**4,292**	4,280	0.3
Service	**595**	482	23.4
Equipment	**356**	123	>100.0
Wireless	**951**	605	57.2
	5,243	4,885	7.3
Intersegment eliminations	**(4)**	(3)	33.3
	5,239	4,882	7.3
Operating income before restructuring costs and amortization (1)			
Wireline	**1,913**	1,864	2.6
Wireless	**176**	133	32.3
	2,089	1,997	4.6
Capital expenditures and equipment costs (net): (2)			
Wireline	**1,024**	970	5.6
Wireless	**343**	255	34.5
	1,367	1,225	11.6
Free cash flow from continuing operations before the following	**722**	772	(6.5)
Less:			
Interest	**(247)**	(265)	(6.8)
Cash taxes	**(166)**	(174)	(4.6)
Other adjustments:			
Dividends from equity accounted associates	**92**	88	4.5
Non-cash share-based compensation	**2**	3	(33.3)
Pension adjustment	**11**	8	37.5
Customer equipment financing	**5**	8	(37.5)
Preferred share dividends	**(8)**	(8)	–
Free cash flow from continuing operations	**411**	432	(4.9)
Income from discontinued operations before restructuring costs, amortization, taxes and other non-operating items	**–**	140	(100.0)
Less:	**–**		
Capital expenditures	**–**	(99)	(100.0)
Interest	**–**	(33)	(100.0)
Cash taxes	**–**	(2)	(100.0)
Free cash flow from discontinued operations	**–**	6	(100.0)
Free cash flow	**411**	438	(6.2)

(1) Refer to key performance drivers.
(2) Per Note 25 to the audited Consolidated Financial Statements.

STATISTICAL MEASURES:

Subscriber counts (or Revenue Generating Units ("RGUs"))

The Company measures the count of its subscribers in its Consumer, Business and Wireless divisions.

In the Consumer and Business divisions, wireline Video subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as wireline Video customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Consumer and Business divisions' RGUs represent the number of products sold to customers and includes Video (cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2018 these combined divisions had approximately 5.7 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g. cellular phone, smartphone, tablet or mobile Internet device) has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2018 the Wireless divisions had approximately 1.4 million RGUs.

Wireless average revenue per subscriber unit per month ("ARPU")

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity, but does not have a standardized meaning under IFRS. Refer to "Segmented Operations Review" for Wireless ARPU details and description.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

Revenue and expense recognition

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from Video, Internet, Phone, and Wireless customers includes subscriber service revenue when earned. The revenue is considered earned as the period of service relating to the customer billing elapses. For customers with multi-year service plans, the total amount of contractual service revenue is accounted for on a straight-line basis over the term of the plan.

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate units of accounting; therefore, these revenue streams are assessed as an integrated package.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes digital cable terminal ("DCT") and direct-to-home ("DTH") equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore, the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Freedom Mobile offers a discretionary handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenue earned in connection with the services is applied against the up-front discount provided on the handset. Freedom Mobile also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time.

The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the Consolidated Statement of Financial Position.

Discontinued operation equipment revenue and costs

In the Shaw Tracking operation, equipment revenue was recognized over the period of the related service contract for airtime, which was generally five years.

In conjunction with Shaw Tracking equipment revenue, the Company incurred incremental direct costs including equipment costs. These direct costs cannot be separated from the undelivered tracking service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and were deferred and amortized over the period of five years, consistent with the recognition of the related tracking equipment revenue.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

The majority of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foreseen, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. **Corporate departments such as Technology, Operations, Products, and Supply chain ("TOPS"):** TOPS is involved in overall planning and development of the Video/Internet/Phone/Wireless infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TOPS devotes considerable efforts towards the development of systems to support Phone, Wi-Fi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. **Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the cable/Internet/Phone infrastructure:** Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity for Internet, home Phone and VOD by reducing the number of homes fed from each node, and upgrades of plant capacity and the Wi-Fi build.
3. **Subscriber-related activities such as installation of new drops and Internet and Digital Phone services:** The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split. Further information regarding the capitalization of internal labour costs can be found under "Certification" on page 66.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the

Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. The Company had an additional cash generating unit, Data Centres, until the sale of Viawest in August 2017. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Employee benefit plans

As at August 31, 2018, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected to be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefits Obligation at End of Fiscal 2018	Pension Expense Fiscal 2018
Weighted Average Discount Rate – Non-registered Plans	3.70%	3.70%
Impact of: 1% decrease – Non-registered Plans	$ 72	$ 4

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During 2016, the Company sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016. In fiscal 2018, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. The Company also received dividends from Corus related to its Class B non-voting participating shareholdings representing 39% of the total issued equity of Corus (see "Equity Interest in Corus").

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership. During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland BC operations.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

Refer to Note 28 to the Consolidated Financial Statements for further related party transaction detail.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncements

The adoption of the following IFRS amendments effective September 1, 2017 had no impact on the Company's consolidated financial statements.

- *Statement of Cash Flows* (amendments to IAS 7) improves disclosures regarding changes in financing liabilities. The amendments were applied prospectively for the annual period commencing September 1, 2017.
- *Income Taxes* (amendments to IAS 12) clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The amendments were applied prospectively for the annual period commencing September 1, 2017.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018. The amendments to IFRS 2 will not have a significant impact on our financial statements.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing January 1, 2018. The adoption of IFRS 9 will not have a significant impact on our financial statements.
- IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to

recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

We have a team engaged to ensuring our compliance with IFRS 16. This team has been responsible for determining information technology requirements, ensuring scoping and data collection is appropriate, and communicating the upcoming changes with various stakeholders. In 2019, we will be implementing a process that will enable us to comply with the requirements of IFRS 16 on a lease-by-lease basis. As a result, we are continuing to assess the effect of this standard on our consolidated financial statements and it is not yet possible to make a reliable estimate of its effect. We expect to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 consolidated financial statements.

The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company will evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019.
- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 will impact the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

Revenue – timing and classification

The application of this standard will most significantly affect our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue is affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This will result in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months will now be recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue will be allocated to service revenue. The measurement of total revenue recognized over the life of a contract will be largely unaffected by the new standard. We do not expect the application of IFRS 15 to affect our timing of cash flows from operations or the methods and underlying economics through which we transact with our customers.

Costs of contract acquisition – timing of recognition

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company currently expenses such costs as incurred.

Contract assets and liabilities

The Company's financial position will also be impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers. While similar differences are recognized currently, IFRS 15 introduces additional requirements and disclosures specific to contracts with customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

The new standard is effective for annual periods beginning on or after January 1, 2018, which for the Company will be the annual period commencing September 1, 2018 and must be applied either retrospectively or on a modified retrospective basis for all contracts that are not complete as at that date. We have made a policy choice to restate each period presented and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented, subject to certain adopted practical expedients.

Impacts of IFRS 15, Revenue from Contracts with Customers

Based on our preliminary analysis, IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Income as follows:

		Year ended August 31, 2018		
(billions of Canadian dollars)		**As reported**	**Estimated effect of transition**	**Subsequent to transition**
Revenue	i.	5.24	(0.05)	5.19
Operating, general and administrative expenses	ii.	(3.15)	0.02	(3.13)
Other non-operating costs		(1.88)	–	(1.88)
Income from continuing operations before income taxes		0.21	(0.03)	0.18
Income tax expense		0.14	(0.01)	0.13
Net income from continuing operations		0.07	(0.02)	0.05

i) Allocation of transaction price

Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract will be lower than previously recognized.

ii) Deferred commission costs

Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer contract.

Based on our preliminary analysis, IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Financial Position as follows:

[billions of Canadian dollars]		As at September 1, 2017 As reported	Estimated effect of transition	Subsequent to transition	As at August 31, 2018 As reported	Estimated effect of transition	Subsequent to transition
ASSETS							
Current							
Current portion of contract assets	i.	–	0.01	0.01	–	0.05	0.05
Other current assets	ii.	0.16	0.02	0.18	0.29	(0.04)	0.25
Remainder of current assets		0.96	–	0.96	0.74	–	0.74
		1.12	0.03	1.15	1.03	0.01	1.04
Contract assets	i.	–	0.05	0.05	–	0.08	0.08
Other long-term assets	ii.	0.26	(0.03)	0.23	0.29	(0.08)	0.21
Remainder of long-term assets		12.99	–	12.99	13.10	–	13.10
		14.37	0.05	14.42	14.42	0.01	14.43
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Unearned revenue	i.	0.21	(0.21)	–	0.22	(0.22)	–
Current portion of contract liabilities	i.	–	0.21	0.21	–	0.22	0.22
Remainder of current liabilities		1.18	–	1.18	1.39	–	1.39
		1.39	–	1.39	1.61	–	1.61
Deferred credits	i.	0.49	(0.02)	0.47	0.46	(0.02)	0.44
Deferred income tax liabilities	ii.	1.86	–	1.86	1.89	(0.01)	1.88
Contract liabilities	i.	–	0.02	0.02	–	0.02	0.02
Remainder of long-term liabilities		4.48	–	4.48	4.50	–	4.50
		8.22	–	8.22	8.46	(0.01)	8.45
Shareholders' equity		6.15	0.05	6.20	5.96	0.02	5.98
		14.37	0.05	14.42	14.42	0.01	14.43

i) Contract assets and liabilities

Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset

Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

The application of IFRS 15 will not affect our cash flows from operating, investing, or financing activities.

RISK MANAGEMENT

In the normal course of our business activities, the Company is subject to risks. The purpose of risk management is to manage and mitigate risk, rather than to eliminate risk. The Company is committed to continually strengthening our risk management capabilities to protect and enhance value.

Risk Governance and Oversight

The Board of Directors has overall risk governance and oversight responsibilities. Specifically, the Board is responsible for identifying and assessing the principal risks inherent in the business activities of the Company and ensuring that management takes all reasonable steps to implement appropriate systems to manage such risks. The Board of Directors has delegated elements of its risk oversight responsibilities to specific Board committees. The Audit Committee is responsible for: (1) overseeing the Company's processes for identifying, assessing and managing risks; and (2) ensuring that management implements and maintains effective internal controls and procedures for identifying, assessing and managing the principal risks to the Corporation and its business. In addition, the Human Resources and Compensation Committee is responsible for ensuring that the Company's long-term and short-term incentive plans do not incent risk-taking beyond the Company's risk tolerance.

Responsibilities for Risk Management

Responsibility for risk management is shared across our organization. Each department's operating management, led by the Company's executive team, have integrated controls and risk management practices into day-to-day activities and decision-making processes. We have risk management and compliance functions across the organization such as Finance, Security and Risk, Legal and Regulatory, and Technology Risk Governance. The Internal Audit and Advisory Services ("IA&AS") department provides independent and objective audit and advisory services to evaluate and improve the effectiveness of the Company's governance, internal controls, disclosure processes, and risk management activities. The Audit Committee oversees the work of the IA&AS department and all reports issued by the IA&AS department. In addition, the IA&AS department's annual plan is reviewed and approved by the Audit Committee.

Enterprise Risk Management

The Audit Committee undertakes a further review of the significant corporate level risks through the Enterprise Risk Management program ("ERM"). The ERM is a performance focused process designed to identify and manage significant corporate level risks that could impact the achievement of our strategic objectives. The Company's executives meet to: (1) review and update significant corporate level risks, (2) assess such corporate level risks in terms of likelihood and magnitude of impact, (3) review the response strategy, and (4) monitor progress. The latest ERM update was provided to the Audit Committee in April 2018, with updates to be provided to the Board and/or Audit Committee at least annually. The significant risks and uncertainties affecting the Company and its business are discussed under "Known Events, Trends, Risks and Uncertainties".

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements".

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has blurred the traditional lines between telecommunications, Internet and distribution services and further expands the competitive landscape. Shaw may also face competition from platforms that may gain advantage through regulatory processes. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology and customer service and through acquisitions, there can be no assurance that these investments will maintain Shaw's market share or performance in the future.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers may require substantial promotional activity and increase our cost of customer acquisition, decrease our ARPU or both. We expect that competition, including aggressive discounting practices by competitors to gain market share, is likely to continue to increase for all our businesses.

Consumer Internet

Shaw competes with different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading, Internet-of-Things ("IOT") and interactive gaming. As described further under "Shaw's Wireline Network", Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth. However, there can be no assurance that our investments in network capacity will continue to meet this increasing demand.

Consumer Video

Shaw's Consumer Video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated over-the-top ("OTT") video services and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer Video services. Our Video services also compete with illegal services including grey and black market satellite offerings as well as OTT video piracy services.

Consumer Phone

Shaw's competitors for Consumer wireline phone services include traditional telephone companies, other wireline carriers, Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of these competitors have larger operational and financial resources than Shaw. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer wireline phone services.

Wireless

Freedom Mobile is a new entrant in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse, spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. The LTE-Advanced overlay network has been built using our AWS-1, AWS-3 and 2500 MHz spectrum holdings. Freedom Mobile's ability to continue to offer and improve Wireless services and to offer new services depends on, among other factors, continued access to, and deployment of, adequate spectrum, including the ability to both renew current spectrum licences and acquire new spectrum licences (in various spectrum bands). If Freedom Mobile cannot acquire and retain needed spectrum, it may not be able to continue to offer and improve its current wireless services and deploy new services on a timely basis, including providing competitive data speeds its customers want. As a result, Freedom Mobile's ability to attract and retain customers could be adversely affected. In addition, an inability to acquire and retain needed spectrum could affect network quality and result in higher capital expenditures. Our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies, including as a result of regulatory decisions or government policies that favour certain competitive platforms. (see "Government Regulations and Regulatory Developments –Telecommunication Act –CRTC review of Wi-Fi First").

Business Network Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Services also competes in industries that are highly competitive, rapidly evolving and subject to constant change.

Impact of Regulation

As discussed under "Government Regulations and Regulatory Developments", a majority of our Canadian business activities are subject to: (i) regulations and policies administered by ISED and/or the CRTC, and (ii) conditions of licences granted by ISED and/or the CRTC. Shaw's operations, financial results, and future prospects are affected by changes in regulations, policies and decisions, conditions of licences and decisions, including changes in interpretation of existing regulations and requirements contained in such conditions of licences by courts, the government or the regulators, in particular the CRTC, ISED, Competition Bureau and Copyright Board. These changes relate to, and may have an impact on, among other things, licensing and licence renewal, spectrum holdings, products and services, competition, programming carriage and terms of carriage, strategic transactions, and infrastructure access, and the potential for new or increased fees or costs. All such changes in the regulatory regime may have a material adverse effect on Shaw and its reputation, as well as Shaw operations, financial results and/or future prospects.

Economic Conditions

The Canadian economy is affected by uncertainty in global financial and equity markets and slowdowns in national and/ or global economic growth. Changes in economic conditions, which may differ across our regional footprint, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results.

Total Business Transformation and Voluntary Departure Program

In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the changing tastes and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. Three key elements of TBT are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and 3) streamline the organization that builds and services our network. As part of the TBT initiative, the Company also plans to reduce input costs, consolidate functions, and streamline processes, which is expected to create operational improvements across the business allowing it to evolve into a more efficient organization.

There is an overall risk that the TBT initiative may not be completed in a timely and cost-effective manner to yield the expected results and benefits or result in a leaner, more integrated and agile company with improved efficiencies and execution to better meet its consumers' needs and expectations (including the products and services offered to its customers). Specifically, there is a risk that the Company may not be able to: (i) establish and continue to upgrade a digital platform that will effectively engage customers, (ii) successfully adopt a digital platform that will yield the expected results and benefits, including maintaining the quality of customer service, protecting the security of customer information, and coordinating the delivery of product and service offerings; (iii) deploy programs that will result in customers using the self-serve functions and electing to self-install the Company's products and services; and (iv) consolidate and streamline the functions and processes of the divisions responsible for building and servicing its networks. The realization of any of these risks may have a material adverse effect on Shaw, its operations and/or financial results.

As a first step in the TBT, the VDP was offered to eligible employees. The outcome of the program had approximately 3,300 Shaw employees accepting the VDP package representing approximately 25% of all employees. As part of the program design, the majority of customer-facing employees (i.e. Customer Care, Retail, Sales) were not eligible to participate in the VDP. A large portion of employees who elected to participate in the VDP are in functions that will be addressed through the aforementioned key elements of the TBT and Shaw has control over the timing of employee departures across the Company through an actively managed, orderly transition over an 18-month period. In select functions, the Company determined that some employees will transition over a 24-month period, an extension from the 18-month period initially expected. Related to the VDP, approximately 1,300 employees departed the Company in fiscal 2018.

With approximately 3,300 employees accepting the VDP package, there is a risk that the Company may not be able to: (i) complete the employee exits with minimal impact on business operations within the anticipated timeframes and for the budgeted amounts, (ii) replace or outsource the functions performed by certain key employees that have accepted the VDP package in a manner that aligns with customer expectations which may have a material adverse effect on the Company's business operations, (iii) continue to operate the business in the normal course, and maintain or improve customer services, (iv) maintain employee morale as a result of the organizational changes, staff and cost reductions; (v) ensure that the staff reductions will reduce costs, and achieve the financial goals, cost competitiveness and profitability required to be attractive to investors. In addition, there can be no assurance that restructuring costs of the VDP will be limited to the budgeted amounts or that the expected annualized cost reductions from the VDP (including reductions in operating and capital expenditures will be realized within the expected time frames or at all). The realization of any of these risks may have a material adverse effect on Shaw, its operations and/or financial results.

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) **Interest rates:** Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets. These are more fully described in Note 14 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are all fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

As at August 31, 2018, virtually all of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) **Capital markets:** Shaw requires ongoing access to capital markets to support our operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a mix of fixed and floating rate debt. Interest on the Company's unsecured banking facility and the recently implemented accounts receivable securitization program are based on floating rates, while the senior notes are all fixed rate obligations.

The Company may also enter into forward contracts to mitigate its exposure to foreign exchange and interest rate risk. While hedging and other efforts to manage these risks are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. For instance, if Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 28 to the Consolidated Financial Statements.

Equity Investment in Corus

As at August 31, 2018, the Company owned 80,630,383 Class B non-voting shareholdings representing 38% of Corus' the total issued equity of Class A and Class B shares. Corus operates a portfolio of multimedia offerings comprised of specialty television services, radio stations, conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services (see "Equity Interest in Corus"). Each of these businesses faces competition, including competition for subscribers, advertising customers and engaging content. Corus' performance affects the value of the Company's investment in Corus and the Company's financial results. Corus' performance may not meet the Company's expectations (including in respect of Corus' payment of a regular dividend) in the near and/or long term.

As Corus is a publicly traded company, its value to the Company may be determined by market factors that do not reflect its intrinsic value. This may limit the Company's ability to market its interest in Corus at a price that reflects the intrinsic value of Corus to the Company.

Programming Expenses

Expenses for video programming continue to be one of our most significant single expense items to Shaw. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and this may have a material adverse effect on Shaw, its operations and/or its financial results.

Satellite

Shaw uses three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to provide satellite services in our Consumer and Business Network Services divisions. The Company owns certain transponders on Anik F2 and has long-term capacity service agreements in place in respect of transponders on Anik F1R, Anik F2 and Anik G1. While the Company intends to renew or replace some or all of these long-term capacity service agreements as they expire, there can be no assurance that replacement transponder capacity will be available or that such agreements will be entered into on favourable terms or in similar amounts, which may have a material adverse effect on customer service and customer relationships, as well as the Company's reputation, operations and/or financial results.

The Company does not maintain any insurance coverage for the transponders on Anik F1R, Anik F2 and Anik G1 as it believes the costs are uneconomic relative to the benefit which could be otherwise derived through an arrangement with Telesat. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage or loss to one or more of the satellites as it believes the premium costs are uneconomic relative to the risk of satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-pre-emptible basis, in both the case of the Anik F2 transponders that are owned by Shaw and the Anik F1R, Anik F2 and Anik G1 transponders that are secured through capacity service agreements. The Company has priority access to spare transponders on Anik F1R, Anik F2 and Anik G1 in the case of interruption, subject to availability. In the event of satellite failure, service will only be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade of their video terminal or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including its own or third party networks. Such network failures may be caused by fire damage, natural disaster, power loss, hacking, computer viruses, disabling devices, acts of war or terrorism and other events which may be beyond Shaw's control.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures the plant in its HFC network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would be also limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the HFC access network is located underground.

Shaw protects its wireline network through a number of measures including physical and information technology security, and ongoing maintenance and placement of insurance on our network equipment and data centres, including the Calgary1 data centre. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service.

Shaw protects its wireless network and mitigates wireless network failure through physical and information technology security, ongoing maintenance, and by carrying insurance on its wireless network equipment.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Cyber Security Risks

Although Shaw's systems and network architecture are designed and operated to be secure, they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software or the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security within Shaw while we are monitoring the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance that Shaw will be able to protect its network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various information technology (IT) systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Reliance on Suppliers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The Company sources its customer premise and capital equipment, capital builds as well as portions of its service offerings from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its operations and/or its financial results. There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business, whether in Canada or the US. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division and our Shaw Go WiFi operations. Some studies have alleged that links exist between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. The Company complies with all applicable laws and regulations. Further, the Company relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results.

Holding company structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets.

The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Class A Shares are the only shares entitled to vote on all shareholder matters. Voting control of the Company is held by SFLT and its subsidiaries, which hold, for the benefit of descendants of JR and Carol Shaw, 17,562,400 Class A Shares, being approximately 78% of the issued and outstanding shares of such class as at August 31, 2018. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (chair), Bradley S. Shaw, four other members of JR Shaw's family, and one independent director. Accordingly, JR Shaw, through SFLT, its subsidiaries and its trustee, is able to elect a majority of the Board of Directors of the Company and to control any vote by the holders of Class A Shares.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share and quarterly preferred share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to stabilize dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the Company will continue common or preferred share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

Talent Management and Succession Planning

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services in the short to medium term. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could have a material adverse effect on Shaw, its operations and/or financial results.

To mitigate this risk, the Company's comprehensive compensation program is designed to attract, retain, motivate and reward the executive team and key employees by aligning management's interest with our business objectives and performance. Furthermore, the Company conducts annual succession planning to identify and develop key leaders to build capabilities and experiences required for the future.

Labour Relations

As of August 31, 2018, approximately 5.5% of our employees are represented by unions under collective bargaining agreements. While the Company strives to maintain positive labour relations, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations and reputation. Even if the Company does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs could be limited by the terms of such collective bargaining agreements.

Given the level of change occurring across the organization in connection with the VDP and TBT, the Company has held various round tables with senior leaders, created cross functional work groups to address day-to-day operational issues and provided education for leaders on how to manage change and maintain positive employee engagement and relations.

DISCUSSION OF OPERATIONS AND FOURTH QUARTER

To comply with the requirements of Items 1.4 (Discussion of Operations) and 1.10 (Fourth Quarter) of Form 51-102F1 of National Instrument 51-102, the sections entitled "Discussion of Operations" and "Overview" in the Company's Management's Discussion and Analysis for the fourth quarter and year ended August 31, 2018 (the "**2018 Fourth Quarter MD&A**") are incorporated by reference herein. The 2018 Fourth Quarter MD&A can be found on SEDAR at www.sedar.com

SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization(1)	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income(2)	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations	Basic earnings per share	Diluted earnings per share
(millions of Canadian dollars except per share amounts)									
2018									
Fourth	**1,336**	**560**	**200**	**200**	**200**	**0.39**	**0.39**	**0.39**	**0.39**
Third	**1,300**	**547**	**(91)**	**(91)**	**(91)**	**(0.18)**	**(0.18)**	**(0.18)**	**(0.18)**
Second	**1,355**	**501**	**(164)**	**(164)**	**(164)**	**(0.33)**	**(0.33)**	**(0.33)**	**(0.33)**
First	**1,248**	**481**	**121**	**115**	**115**	**0.23**	**0.23**	**0.22**	**0.22**
Total	**5,239**	**2,089**	**66**	**60**	**60**	**0.11**	**0.11**	**0.10**	**0.10**
2017									
Fourth	1,244	479	149	481	481	0.30	0.29	0.97	0.96
Third	1,216	511	164	133	133	0.33	0.33	0.27	0.27
Second	1,206	503	150	147	147	0.30	0.30	0.30	0.30
First	1,216	504	94	90	90	0.19	0.19	0.18	0.18
Total	4,882	1,997	557	851	851	1.12	1.11	1.72	1.71

(1) Refer to key performance drivers.
(2) Net income attributable to both equity shareholders and non-controlling interests.

F18 Q4 **vs** F18 Q3	In the fourth quarter of fiscal 2018, net income improved by $291 million compared to the third quarter of fiscal 2018 primarily due to an impairment charge of $284 million related to the Company's investment in Corus recorded in the prior quarter.
F18 Q3 **vs** F18 Q2	In the third quarter of fiscal 2018, net income increased $73 million compared to the second quarter of fiscal 2018 mainly due to the quarter-over-quarter decrease in restructuring costs of $404 million and an increase in operating income before restructuring costs and amortization. The increase was partially offset by impairment charge of $284 million in the third quarter related to the Company's investment in Corus Entertainment Inc. and higher income taxes.
F18 Q2 **vs** F18 Q1	In the second quarter of fiscal 2018, net income decreased $279 million compared to the first quarter of fiscal 2018 mainly due to $417 million of restructuring costs recorded during the quarter related to the Company's TBT initiative which is composed primarily of the costs associated with the VDP. The decrease was partially offset by a deferred tax recovery relating to the restructuring charges as well as an increase in operating income before restructuring costs and amortization.
F18 Q1 **vs** F17 Q4	In the first quarter of fiscal 2018, net income decreased $366 million compared to the fourth quarter of fiscal 2017 mainly due to the $330 million gain on divestiture, net of tax, of ViaWest, as well as an $11 million non-operating provision recovery in the prior quarter.
F17 Q4 **vs** F17 Q3	In the fourth quarter of fiscal 2017, net income increased $348 million compared to the third quarter of fiscal 2017 mainly due to the gain on divestiture, net of tax, of ViaWest, and lower current quarter restructuring costs. The increase was partially offset by a decrease in operating income before restructuring costs and amortization, higher amortization, lower equity income from our investment in Corus and higher income taxes. Net other costs and revenue changed primarily due to a $14 million decrease in income from an equity accounted associate and an $11 million provision reversal related to the wind down of shomi in the quarter.
F17 Q3 **vs** F17 Q2	In the third quarter of fiscal 2017, net income decreased $14 million compared to the second quarter of fiscal 2017 mainly due to third quarter restructuring costs and losses on discontinued operations, net of tax, as well as increased amortization. The decrease was partially offset by an increase in operating income before restructuring costs and amortization and lower income taxes. Net other costs and revenue changed primarily due to a $16 million increase in income from an equity accounted associate and a $15 million provision reversal related to the wind down of shomi in the quarter.
F17 Q2 **vs** F17 Q1	In the second quarter of fiscal 2017, net income increased $57 million compared to the first quarter of fiscal 2017 mainly due to a non-recurring provision related to the wind down of shomi operations recorded in the first quarter, partially offset by an increase in amortization and income taxes. Also contributing to the increased net income were lower restructuring costs, partially offset by lower equity income from our investment in Corus. Net other costs and revenue changed primarily due to a provision of $107 million recorded in the prior quarter relating to shomi operations partially offset by a $17 million decrease in income from an equity accounted associate in the quarter.
F17 Q1 **vs** F16 Q4	In the first quarter of fiscal 2017, net income decreased $64 million compared to the fourth quarter of fiscal 2016 mainly due to a non-recurring provision related to the wind down of shomi operations included in net other costs and revenue for the first quarter of fiscal 2017. Also contributing to the decreased net income was lower operating income before restructuring costs and amortization, higher restructuring charges and lower income from discontinued operations, partially offset by lower income taxes. Net other costs and revenue changed primarily due to a $107 million impairment of the Company's joint venture investment in shomi and a $27 million increase in income from an equity accounted associate in the first quarter of fiscal 2017.

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summer time when more subscribers have second homes in use. Shaw's Wireline, Satellite, Wireless or Data Centre businesses do not depend on any single customer or concentration of customers.

The following further assists in explaining the trend of quarterly revenue and operating income before restructuring costs and amortization:

Growth (losses) in subscriber statistics as follows:

	2018					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	**1,671,277**	**(18,008)**	**(17,715)**	**(16,332)**	**(33,990)**	**1,585,232**
Video – Satellite	**773,542**	**(20,505)**	**(4,301)**	**9,066**	**(7,399)**	**750,403**
Internet	**1,861,009**	**17,694**	**5,476**	**(3,754)**	**(3,481)**	**1,876,944**
Phone	**925,531**	**(17,418)**	**(14,842)**	**(13,264)**	**(26,160)**	**853,847**
Total Consumer	**5,231,359**	**(38,237)**	**(31,382)**	**(24,284)**	**(71,030)**	**5,066,426**
Video – Cable	**51,039**	**(705)**	**(400)**	**(251)**	**(77)**	**49,606**
Video – Satellite	**31,535**	**(512)**	**1,330**	**531**	**1,947**	**34,831**
Internet	**170,644**	**(494)**	**162**	**813**	**1,734**	**172,859**
Phone	**327,199**	**6,097**	**4,655**	**8,766**	**8,195**	**354,912**
Total Business	**580,417**	**4,386**	**5,747**	**9,859**	**11,799**	**612,208**
Total Wireline	**5,811,776**	**(33,851)**	**(25,635)**	**(14,425)**	**(59,231)**	**5,678,634**
Wireless – Postpaid	**764,091**	**33,050**	**93,508**	**54,189**	**84,882**	**1,029,720**
Wireless – Prepaid	**383,082**	**1,260**	**(3,806)**	**(7,530)**	**132**	**373,138**
Total Wireless	**1,147,173**	**34,310**	**89,702**	**46,659**	**85,014**	**1,402,858**
Total Subscribers	**6,958,949**	**459**	**64,067**	**32,234**	**25,783**	**7,081,492**

	2017					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video –Cable	1,671,059	(13,146)	(7,124)	12,921	7,567	1,671,277
Video –Satellite	790,574	(15,669)	(4,611)	6,531	(3,283)	773,542
Internet	1,787,642	16,964	13,466	20,892	22,045	1,861,009
Phone	956,763	(17,845)	(7,025)	(1,827)	(4,535)	925,531
Total Consumer	5,206,038	(29,696)	(5,294)	38,517	21,794	5,231,359
Video –Cable	61,153	(3,198)	(4,480)	47	(2,483)	51,039
Video –Satellite	30,994	(35)	1,041	(1,009)	544	31,535
Internet	179,867	(2,867)	(3,856)	(435)	(2,065)	170,644
Phone	301,328	5,364	5,692	7,253	7,562	327,199
Total Business	573,342	(736)	(1,603)	5,856	3,558	580,417
Total Wireline	5,779,380	(30,432)	(6,897)	44,373	25,352	5,811,776
Wireless –Postpaid	667,028	14,307	33,582	20,085	29,089	764,091
Wireless – Prepaid	376,260	(4,837)	(155)	(111)	11,925	383,082
Total Wireless	1,043,288	9,470	33,427	19,974	41,014	1,147,173
Total Subscribers	**6,822,668**	**(20,962)**	**26,530**	**64,347**	**66,366**	**6,958,949**

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2018 CONSOLIDATED RESULTS

(millions of Canadian dollars except per share amounts)	2018	2017	2016	Change 2018 %	Change 2017 %
Operations:					
Revenue	**5,239**	4,882	4,518	**7.3**	8.1
Operating income before restructuring costs and amortization (1)	**2,089**	1,997	1,978	**4.6**	1.0
Operating margin (1)	**39.9%**	40.9%	43.8%	**(1.0pts)**	(2.9pts)
Funds flow from continuing operations (2)	**1,259**	1,530	1,388	**(17.7)**	10.2
Net income from continuing operations	**66**	557	487	**(88.2)**	14.4
Income from discontinued operations, net of tax	**(6)**	294	753	**>(100.0)**	(61.0)
Net income	**60**	851	1,240	**(92.9)**	(31.4)
Free cash flow (1)	**411**	438	482	**(6.2)**	(9.1)
Balance sheet:					
Total assets	**14,424**	14,373	15,382		
Long-term financial liabilities					
Long-term debt (including current portion)	**4,311**	4,300	5,612		
Other financial liabilities	**–**	1	5		
Per share data:					
Basic earnings per share					
Continuing operations	**0.11**	1.12	0.99		
Discontinued operations	**(0.01)**	0.60	1.52		
	0.10	**1.72**	**2.51**		
Diluted earnings per share					
Continuing operations	**0.11**	1.11	0.99		
Discontinued operations	**(0.01)**	0.60	1.52		
	0.10	**1.71**	**2.51**		
Weighted average number of participating shares outstanding during period (millions)	**502**	491	480		
Cash dividends declared per share					
Class A	**1.1825**	1.1825	1.1825		
Class B	**1.1850**	1.1850	1.1850		

(1) Refer to key performance drivers.
(2) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Fiscal 2018 Highlights

- Revenue for fiscal 2018 improved 7.3% to $5.24 billion from $4.88 billion in 2017.
- Operating income before restructuring costs and amortization of $2.089 billion in fiscal 2018 was up 4.6% over prior year's $2.0 billion.
- Net income was $60 million for fiscal 2018 compared to $851 million in 2017.
- Earnings per share were $0.10 in fiscal 2018 compared to $1.72 in 2017.
- Consolidated free cash flow in fiscal 2018 was $411 million compared to $438 million in 2017.

- During 2018, the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850, respectively. Dividends paid in 2018 were $605 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

- In the first quarter of fiscal 2018, Shaw implemented its previously announced changes to the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as a leading Canadian connectivity company. Shaw's previously existing Consumer and Business Network Services divisions were combined to form a new Wireline division with no changes to the existing Wireless division.
- In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the evolving needs and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. Three key elements of the transformation are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and, 3) streamline the organization that builds and services the networks.
- As a first step in the TBT, a voluntary departure program, or VDP, was offered to eligible employees. The outcome of the program resulted in approximately 3,300 Shaw employees accepting the VDP package representing approximately 25% of all employees at that time. Related to the VDP, approximately 1,300 employees departed the Company in fiscal 2018.
- In fiscal 2018, the Company incurred a total restructuring charge of $446 million related to severance and other employee related costs, as well as additional costs directly associated with the TBT initiative. As the restructuring activities related to the TBT initiative have been substantially completed, the total restructuring charge is not expected to exceed $450 million.
- The anticipated annualized savings, which include reductions in operating expenses and capital expenditures (i.e. labour costs that can be identified or associated with a capital project), related to the VDP, are expected to be approximately $215 million and will be fully realized in fiscal 2020. Shaw expects these cost reductions to be weighted 60% to operating expenses and 40% to capital expenditure being approximately $130 and $85 million, respectively. VDP related cost reductions in fiscal 2018 totaled $47 million, of which $39 million were attributed to operating expenses and $8 million attributed to capital expenditures. (For further detail see "Total Business Transformation and Voluntary Departure Program").
- In the third quarter of fiscal 2018, the Company incurred an impairment charge of $284 million related to its investment in Corus.

Financing Activities

- On June 19, 2018, the Company established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at August 31, 2018, the proceeds of the sales were committed up to a maximum of $100 million, with $40 million currently drawn under the program.
- On November 2, 2018, the Company closed its offering of $1 billion of senior notes, comprised of $500 million principal amount of 3.80% senior notes due 2023 and $500 million principal amount of 4.40% senior notes due 2028.
- On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023. This credit facility is used for working capital and general corporate purposes.

Wireless – Freedom Mobile

- In fiscal 2018, Freedom Mobile added over 255,000 subscribers which was complemented, on an annual basis, by an ARPU improvement of 6.1% (to $39.26) over fiscal 2017, reflecting the appeal of its differentiated value proposition.
- In October 2017, Freedom Mobile launched the Big Gig data plans, targeting a data-centric customer with 10 GB of data for only $50 per month – unlike any other plan offered in Canada at that time.
- On November 22, 2017 Freedom Mobile began pre-selling iPhoneX, iPhone 8 and 8 Plus at all Freedom Mobile retail locations across Canada.
- In the second quarter of fiscal 2018, the Company completed the re-farm of 10 MHz of AWS-1 spectrum across Freedom Mobile's footprint, significantly expanding Freedom Mobile's addressable market as the AWS-1 spectrum supports nearly all LTE devices currently in use in Canada.
- In May 2018, the Company completed its first successful 5G trials in Calgary by leveraging 28GHz mmWave and 3.5GHz spectrum in collaboration with Nokia, CableLabs and Rode & Schwarz.

- In fiscal 2018, the Company successfully upgraded and deployed 2500 MHz spectrum in high traffic sites in the GTA, Calgary, Edmonton, and Vancouver and commenced the deployment of 700 MHz spectrum later in the year which is expected to continue throughout fiscal 2019. This step, the deployment of the 2500 MHz spectrum, along with the completion of the re-farming of 10 MHz of the Company's existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018 resulted in a large majority of the Company's existing customers migrating from 3G to LTE service using their exiting devices.
- In the fourth quarter of fiscal 2018, the Company launched voice over LTE, or VoLTE nationwide across all three of its LTE spectrum bands – AWS-1, AWS-3, and 2500 MHz – offering customers with compatible devices a significant improvement in voice quality and a reduction in call set-up time.
- During 2018, Freedom Mobile continued to expand its retail network by entering into distribution agreements with Loblaws and Walmart. Freedom Mobile products and services are currently being distributed in approximately 100 Loblaws' "The Mobile Shop" locations and approximately 140 Walmart locations throughout Ontario, Alberta and British Columbia. When combined with our existing corporate and dealer store network, we remain on track to have approximately 600 retail locations expected to be operational in early 2019.

Wireline – Consumer & Business

- On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs LLC for proceeds of approximately US$20 million.
- In December 2017, Shaw Business launched SmartSurveillance, an enterprise-grade managed video surveillance solution designed to help owners monitor and protect their businesses while providing valuable analytical insights.
- In the third quarter of fiscal 2018, the Company deployed the latest DOCSIS 3.1 advanced XB6 Wi-Fi modem, powered by Comcast, which enables faster internet speeds, supports more devices and ensures a stronger in-home internet connection. DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibre-coax network to transmit data both to and from customer premises.
- During fiscal 2018, the Company continued to improve its BlueSky platform, powered by Comcast's next generation X1 platform, which features a voice controlled remote and advanced search, by integrating both Netflix and YouTube seamlessly with live TV, video-on-demand and recorded content.
- In July 2018, the Company launched Internet 300 with download speeds of up to 300 megabits-per-second:
  - The Consumer division launched Internet 300 with unlimited data which is available across virtually all of Shaw's Western Canadian footprint.
  - Shaw Business launched:
    - Internet 300 with unlimited data, making it easier for Shaw Business customers to share files through cloud storage services, video conference with colleagues, and operate point of sale systems more efficiently; and
    - SmartWiFi 300, an enterprise-grade WiFi solution, that provides simultaneous device connections, instant analytics, three separate networks, and bandwidth allocation (to monitor and limit usage for heavy data users).

Fiscal 2017 Highlights

- Revenue for fiscal 2017 improved 8.1% to $4.88 billion from $4.52 billion in 2016.
- Operating income before restructuring costs and amortization of $2.0 billion in fiscal 2017 was up 1.0% over prior year's $1.98 billion.
- Net income was $851 million for fiscal 2017 compared to $1.24 billion in 2016.
- Earnings per share were $1.72 in fiscal 2017 compared to $2.51 in 2016.
- Consolidated free cash flow in fiscal 2017 was $438 million compared to $482 million in 2016.
- During 2017, the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850, respectively. Dividends paid in 2017 were $595 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

On August 1, 2017, the Company sold 100% of its wholly-owned subsidiary ViaWest, Inc. and its subsidiaries (collectively, “ViaWest”) for approximately US$1.675 billion in cash.

- The Company enhanced its wireless network capabilities through the acquisition of wireless spectrum licences from Quebecor on July 24, 2017 for $430 million. The acquired spectrum licences comprise 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta and Southern Ontario, as well as the 20 MHz licences of the 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary and Toronto.

Financing Activities

- On December 15, 2016, the Company extended the term of its five-year $1.5 billion bank credit facility from December 2019 to December 2021. This credit facility is used for working capital and general corporate purposes.
- The Company conducted a number of capital market activities, including:
    - the extension of its dividend reinvestment plan in respect of its Class A Participating Shares and Class B Non-Voting Participating Shares to eligible shareholders who are residents of the United States;
    - the issuance of 3.80% $300 million senior unsecured notes due March 1, 2027;
    - the repayment of $400 million senior unsecured notes due March 2, 2017; and
    - the repayment of US$846 million in borrowings under the Company’s and ViaWest’s credit facilities related to the sale of ViaWest.
    - The Company participated in Corus’ dividend reinvestment program for its initial investment in Corus Class B non-voting participating shares until September 1, 2017.

Wireless – Freedom Mobile

- The Company continued to improve its network performance with the rollout of Freedom Mobile’s LTE-Advanced network to all its existing markets, on schedule and on budget, as of the end of fiscal 2017.
- Freedom Mobile’s handset lineup continued to expand in fiscal 2017, with Apple, LG, Samsung, Sony and ZTE all being compatible with its AWS-3 LTE network.

Wireline – Consumer & Business

- In fiscal 2017, the Company began to deploy its newest generation of cable modem termination system equipment referred to as the Converged Cable Access Platform (“CCAP”) into its serving hubs. CCAP significantly enhances the capabilities of Shaw’s cable network and enabling it to leverage the next generation of cable access technology known as DOCSIS 3.1.
- Shomi, the over-the-top streaming platform that launched as a joint venture of Shaw and Rogers Communications Inc. (“Rogers”) in fiscal 2015 was wound down with its operations and service ending on November 30, 2016. As a result, Shaw incurred investment losses of $82 million in fiscal 2017 relating to shomi’s liabilities in connection with the wind down of the shomi joint venture.
- The Company launched the market leading, BlueSky TV which is based on Comcast’s X1 video platform. BlueSky TV was launched in phases, with the initial launch in Calgary followed by the Vancouver launch in February and the national launch in April 2017.
- The Company continued to expand its Shaw Go WiFi build-out. As at August 31, 2017, the Company had approximately 100,000 Shaw Go WiFi access points installed and operating throughout the network and over 3.3 million devices using Shaw Go WiFi. Moreover, the Company has leveraged its Wi-Fi access points to improve network coverage for Freedom Mobile customers which represents an important step in Shaw’s converged network strategy.

Fiscal 2016 Highlights

- Revenue for fiscal 2016 improved 7.4% to $4.52 billion from $4.21 billion in fiscal 2015.
- Operating income before restructuring costs and amortization of $1.98 billion in fiscal 2016 was up 2.4% over fiscal 2015 amount of $1.93 billion.
- Net income was $1.24 billion for fiscal 2016 compared to $880 million in 2015.
- Earnings per share were $2.51 in fiscal 2016 compared to $1.80 in 2015.
- Consolidated free cash flow in fiscal 2016 was $482 million compared to $653 million in 2015.
- During 2016, the Company's dividend rates on Shaw's Class A Participating Shares and Class B Non-Voting Participating Shares were $1.1825 and $1.1850 respectively. Dividends paid in 2016 were $568 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

- On December 15, 2015, ViaWest closed the acquisition of 100% of the shares of INetU, Inc. for US$162 million which was funded through a combination of borrowings under ViaWest's and the Company's revolving credit facilities as well as incremental term loan proceeds under ViaWest's credit facility.
- On March 1, 2016, the Company completed the acquisition of 100% of the shares of Mid-Bowline Group Corp. and its wholly owned subsidiary WIND Mobile Corp. for an enterprise value of $1.6 billion which was funded through a combination of cash on hand, a drawdown of $1.3 billion on the Company's credit facilities and the issuance of 2,866,384 Class B Non-Voting Participating Shares. The fair value of purchase consideration consisted of $1.59 billion in cash and $68 million in shares. The acquisition of WIND Mobile led to the creation of the Company's Wireless division.
  - The addition of wireless enabled Shaw to combine the power of fibre, coax, Wi-Fi and wireless networks to deliver a seamless experience of anytime and anywhere enhanced connectivity within our operating footprint. On November 21, 2016, WIND Mobile Corp. was rebranded to Freedom Mobile Inc.
- On April 1, 2016, the Company entered into an agreement with Corus, a related party subject to common voting control, to sell 100% of its wholly owned subsidiary Shaw Media Inc. for a purchase price of approximately $2.65 billion, comprised of $1.85 billion in cash and 71,364,853 Corus Class B non-voting participating shares. As a result of the transaction and including the impact of Corus' prospectus and private placement financings, as at August 31, 2016, Shaw owned approximately 38% of Corus' total issued equity.
  - Through holding of the shares in Corus, the Company effectively retained an indirect, non-controlling interest in the former Media division subsequent to the sale, but the Company no longer had control over the Media division.
- In fiscal 2016, the Company underwent a restructuring following a set of significant asset realignment initiatives, including the acquisition of Freedom Mobile and divestiture of Shaw Media affecting approximately 200 employees of which $23 million of restructuring costs were recorded relating primarily to severance and employee related costs.

Financing Activities

- In February 2016, the Company increased the borrowing capacity of its five-year bank credit facility by $500 million to a total of $1.5 billion under the terms of the amended facility. Funds are available to the Company in both Canadian and US dollars. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates.
- In March 2016, ViaWest entered into an incremental US$80 million term loan and increased the borrowing capacity available on its revolving facility by US$35 million. The incremental term loan had quarterly principal repayments that commenced in May 2016 with the balance due on maturity in March 2022. Interest rates fluctuated with LIBOR, US prime and US Federal Funds rates and the facilities were secured by a first priority security interest in specific assets pursuant to the terms of a security agreement.
- In connection with the acquisition of Freedom Mobile on March 1, 2016, the Company drew down $1.3 billion on its credit facility comprised of a $1.0 billion non-revolving credit facility with a syndicate of lenders that was entered into on March 1, 2016 along with $300 million drawn on the Company's existing credit facility. These amounts were repaid on April 1, 2016 using the cash proceeds received from the Shaw Media disposition.

- The Company conducted a number of capital market activities, including:
  - On February 1, 2016, the Company repaid $300 million floating rate senior notes.
  - On February 19, 2016, the Company issued $300 million senior notes at a rate of 3.15% due February 19, 2021.
  - On May 9, 2016, the Company repaid $300 million 6.15% senior notes.

Consumer

- The Company had a 50% interest in shomi, a subscription video-on-demand service, that launched in November 2014 as a joint venture arrangement with Rogers.
- In January 2016, Shaw launched FreeRange TV, a mobile destination for its Video customers that combined their TV and content subscriptions in one place, providing on-the-go access to live and on demand content.
- The CRTC's "Let's Talk TV" initiative resulted in a new policy framework requiring Shaw to offer a $25 entry-level service offering (basic service) and all discretionary services (not offered on the basic service) either on a standalone basis or in packages of up to 10 programming services by March 2016. In addition, the Company was required to offer these services both on a standalone basis and in packages of up to ten programming services by December 1, 2016.
  - In March 2016, the Company introduced a new small basic service called "Limited TV" and revised its offerings to include small, medium and large theme packs starting at $6 per theme pack.
  - In November 15, 2016, the Shaw launched "pick and pay" which allows customers to subscribe for a primary package (including Limited TV), select theme packs and add-on individual channels on a channel by channel basis.
- The Company continued to expand its Shaw Go WiFi build-out. As at August 31, 2016, the Company had approximately 85,000 Shaw Go WiFi access points installed and operating throughout the network and over 2.6 million devices using Shaw Go WiFi.

Business

- The Company continued to expand its Business Network Services offering, including the successful expansion of its smart suite of products to include Smart Security in addition to SmartWiFi and SmartVoice.

Revenue and operating income before restructuring costs and amortization

Shaw delivered full year fiscal 2018 financial results that met its guidance. Operating income before restructuring costs and amortization of $2,089 million in fiscal 2018 was in line with the target of $2.1 billion. For further discussion of divisional performance see "Segmented Operations Review."

Consolidated revenue of $5.24 billion for fiscal 2018 improved 7.3% over $4.88 billion for fiscal 2017. Revenue improved primarily due to the Wireless division contributing revenues of $951 million in fiscal 2018 as compared to $605 million in the prior year. The year-over-year improvement in Wireless revenue of $346 million or 57.2% reflects higher equipment revenues of $233 million and higher service revenues of $113 million driven primarily by added postpaid RGUs, higher ARPU and a large share of new postpaid subscribers purchasing handsets. Excluding the results of the Wireless division, revenue for the twelve-month period for the Wireline division was up $12 million or 0.3%. Customer acquisition and rate increases were the primary driver of the $34 million in revenue growth from the Business division while Consumer division revenues decreased $22 million or 0.6% compared to the twelve-month period of fiscal 2017 reflecting the change in customer mix and a decline in Video and Phone RGUs.

Operating income before restructuring costs and amortization of $2.09 billion for the twelve-month period improved 4.6% compared to $2.0 billion for fiscal 2017. The improvement was primarily due to the Wireless division contributing $176 million over the twelve-month period as compared to $133 million in fiscal 2017 and the Wireline division increase of $49 million year-over-year. Wireless increased $43 million or 32.3% over the comparable period primarily due to the growth in subscribers and ARPU and a $13 million credit for a retroactive domestic roaming rate adjustment received in the year partially offset by lower equipment margins and higher distribution channel costs. Wireline increased $49 million or 2.6% over the comparable period as a result of VDP cost reductions and lower marketing costs, partially offset by higher programming costs, RGU losses in Video and Phone, and the change in the Video customer and package mix.

Restructuring costs

Restructuring costs generally include severance, employee related costs and other costs directly associated with a restructuring program. For the year ended August 31, 2018, the category included $446 million in restructuring charges related to the Company's TBT initiative. As a first step in the TBT, the VDP was offered to eligible employees in the second quarter of fiscal 2018. The outcome of the program had approximately 3,300 Shaw employees accepting the VDP package, representing approximately 25% of all employees. The costs related to this program make up the majority of the restructuring costs recorded in the year to date; however, in the fourth quarter of fiscal 2018, further organizational changes in the execution of TBT resulted in additional restructuring costs. See "About our Business" for further details on the TBT and the VDP.

Amortization

(millions of Canadian dollars)	2018	2017	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**30**	38	(21.1)
Deferred equipment costs	**(110)**	(122)	(9.8)
Property, plant and equipment, intangibles and other	**(932)**	(860)	8.4

Amortization of property, plant and equipment, intangibles and other increased 8.4% for the year ended August 31, 2018 over the comparable period due to amortization of new expenditures exceeding the amortization of assets that became fully amortized during the year.

Amortization of financing costs and Interest expense

(millions of Canadian dollars)	2018	2017	Change %
Amortization of financing costs – long-term debt	**3**	2	50.0
Interest expense	**248**	267	(7.1)

Interest expense for the twelve-month period ended August 31, 2018 decreased over the comparable period primarily due to lower average outstanding debt balances in the current year.

Other income and expenses

(millions of Canadian dollars)	2018	2017	Increase (decrease) in income
Equity income (loss) of an associate or joint venture	**(200)**	73	(273)
Other gains (losses)	**29**	(65)	94
	(171)	8	(179)

In fiscal 2018, the Company recorded an equity loss of $200 million related to its interest in Corus, this compares to equity income of $73 million in the prior year. The decrease substantially reflects a $284 million impairment from the Company's investment in Corus recorded in the third quarter of fiscal 2018.

Other gains (losses) generally include realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category includes a $16 million gain on the sale of certain wireless spectrum licenses as well as a $5 million provision recovery. In the prior year, the category includes a $82 million provision in respect of the Company's investment in shomi, which discontinued operations in fiscal 2017.

Income tax expense

The income tax expense was calculated using current statutory income tax rates of 26.8% for 2018 and 26.7% for 2017 and was adjusted for the reconciling items identified in Note 24 to the Consolidated Financial Statements.

Earnings per share

(millions of Canadian dollars except per share amounts)	2018	2017	Change %
Net income	**60**	851	(92.9)
Weighted average number of participating shares outstanding during period (millions)	**502**	491	
Earnings per share			
Basic	**0.10**	1.72	
Diluted	**0.10**	1.71	

Net income

Net income was $60 million in 2018 compared to $851 million in 2017. The year-over-year changes are summarized in the table below.

(millions of Canadian dollars)	
Increased operating income before restructuring costs and amortization	**92**
Increased restructuring costs	**(392)**
Increased amortization	**(69)**
Decreased interest expense	**19**
Decreased or loss equity income of an associate or joint venture	**(273)**
Change in other net costs and revenue [(1)]	**94**
Decrease or increase income taxes	**38**
Decreased income from discontinued operations, net of tax	**(300)**
	(791)

(1) Net other costs and revenue includes business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs and other losses as detailed in the Consolidated Statements of Income.

Net other costs and revenues had a $94 million favourable impact on net income primarily due to an $82 million provision in respect of the Company's investment in shomi in fiscal 2017 as well as a $16 million gain on the sale of certain spectrum licenses in the current year. See "Other income and expenses" above for further detail on non-operating items.

SEGMENTED OPERATIONS REVIEW

WIRELINE

(millions of Canadian dollars)	2018	2017	Change %
Consumer	**3,725**	3,747	(0.6)
Business	**567**	533	6.4
Wireline revenue	**4,292**	4,280	0.3
Operating income before restructuring costs and amortization [(1)]	**1,913**	1,864	2.6
Operating margin [(1)]	44.6%	43.6%	1.0pts

(1) Refer to key performance drivers.

Wireline RGUs decreased by 133,142 in the current year, compared to net additions of 25,321 RGUs in fiscal 2017. Total Business RGU gains of 31,791 were more than fully offset by total Consumer RGU losses of 164,933 in the year which included net losses in cable Video of 86,045, Phone of 71,684 and satellite Video of 23,139 partially offset by the addition of approximately 15,935 Internet RGUs. RGU disconnects were driven primarily by the Company's moderated promotional activity throughout the year, with more selective retention offers and more disciplined subscriber acquisition offers, focused on higher value Internet and Video subscribers.

Consumer revenue for the year of $3.7 billion was comparable to last year. Higher revenue generated by annual rate adjustments and incremental Internet RGUs were fully offset by the impact of reductions to cable Video and Phone RGUs, as well as customer downward migration in Video packages relative to a year ago. Business revenue for the year of $567 million was 6.4% higher over the prior year primarily due to customer growth in small to medium size businesses as well as the impact of annual rate adjustments. Growth was led by the continued success of selling the SmartSuite of products, specifically Smart WiFi, Smart Voice and Smart Security.

Operating income before restructuring costs and amortization of $1.9 billion increased 2.6% over the comparable period as a result of VDP cost reductions, including savings of approximately $39 million, and lower marketing costs, partially offset by the change in the Video customer and package mix and higher programming costs.

WIRELESS

(millions of Canadian dollars)	2018	2017	Change %
Service	**595**	482	23.4
Equipment and other	**356**	123	>100.0
Wireless revenue	**951**	605	57.2
Operating income before restructuring costs and amortization [(1)]	**176**	133	32.3
Operating margin [(1)]	18.5%	22.0%	(3.5pts)

(1) Refer to key performance drivers.

In Wireless, the Company continued to grow postpaid and prepaid wireless subscribers, gaining a combined 255,685 RGUs in the year. The increase in the customer base reflects continued customer demand for premium smartphones combined with device pricing and packaging options, data centric plans, and the ongoing execution of the wireless growth strategy to improve the network and customer experience.

Wireless revenue for the year of $951 million increased $346 million or 57.2% over the prior year. The increase in revenue was driven primarily by year-over-year growth in both equipment and service revenue. The increase in service revenue was driven by RGU and ARPU growth in which a net 265,629 postpaid subscribers were added, representing a 35% increase, and a fourth quarter ARPU of $41.00 while higher equipment revenues were driven by a large share of new postpaid subscribers purchasing handsets. ARPU of $39.26 for the full fiscal year compared to $37.00 for fiscal 2017 and reflects a higher proportionate share of postpaid subscribers.

Operating income before restructuring costs and amortization of $176 million increased $43 million or 32.3% over the comparable period primarily due to the growth in subscribers and ARPU and a $13 million credit for a retroactive domestic roaming rate adjustment received in the year partially offset by lower equipment margins and higher distribution channel costs.

CAPITAL EXPENDITURES AND EQUIPMENT COSTS

	Year ended August 31,		
(millions of Canadian dollars)	2018	2017	Change %
Wireline			
New housing development	**124**	98	26.5
Success based	**284**	308	(7.8)
Upgrades and enhancements	**493**	432	14.1
Replacement	**31**	31	–
Buildings and other	**92**	101	(8.9)
Total as per Note 25 to the audited annual consolidated financial statements	**1,024**	970	5.6
Wireless			
Total as per Note 25 to the audited annual consolidated financial statements	**343**	255	34.5
Consolidated total as per Note 25 to the audited annual consolidated financial statements	**1,367**	1,225	11.6

Capital investment from continuing operations was $1.4 billion in the current year compared to $1.2 billion in fiscal 2017. The increase was driven primarily by incremental capital investment in the Wireless division relating primarily to investment for the continued improvement in network infrastructure, specifically the deployment of 700 MHz spectrum, LTE and small cells as well as back office system and retail upgrades in addition to incremental capital upgrades and enhancements in the Wireline division.

Wireline

Success based capital for the twelve-month period of $284 million was moderately lower than the comparable period last year. The current year decrease in success based capital was due primarily to decreased advanced Internet Wi-Fi modem spend, lower Satellite and digital phone activations as a result of lower gross adds throughout the year and lower installation labour costs across all product lines. These decreases were partially offset by higher video equipment costs related to the BlueSky TV platform.

Capital spend on the combined upgrades and enhancement, and replacement categories was $524 million, a $61 million increase over fiscal 2017, reflecting the Company's continued investment in the wireline network including i) significant bandwidth and upgrade programs; ii) increased investment in support of enhanced digital capabilities relating to the NGV/IPTV video delivery platforms necessary to support BlueSkyTV; and iii) additional investment in back office systems. Increased investments were partly offset by lower capital spend on satellite network upgrades and Shaw Go WiFi access points.

Capital spend on new housing development of $124 million was $26 million higher than the prior year driven by residential and commercial customer network growth and acquisition.

Investment in buildings and other of $92 million for the twelve-month period was down $9 million over the comparable period.

Wireless

Capital investment in the Wireless division of $343 million for the twelve-month period was up $88 million over the prior year. Fiscal 2018 investments relate to continued investment in network infrastructure, specifically the completion of the LTE-Advanced network rollout, the deployment of 700 MHz spectrum and the completion of the refarming of AWS-1 spectrum as well as back office system and retail upgrades.

DISCONTINUED OPERATIONS

SHAW TRACKING

On May 31, 2017, the Company entered an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Business Network Services segment. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale. Accordingly, the assets and liabilities of the Shaw Tracking business were classified in the consolidated statement of financial position at August 31, 2017 as current assets held for sale or current liabilities held for sale, respectively, as the sale of these assets and liabilities was expected to be completed within one year. In addition, the operating results and operating cash flows of the business are presented as discontinued operations separate from the Company's continuing operations. The transaction closed on September 15, 2017.

	2018	**2017**
Revenue	**1**	33
Operating, general and administrative expenses		
Employee salaries and benefits	–	7
Purchases of goods and services	**1**	18
	1	25
Restructuring	–	3
Amortization		(2)
Impairment of goodwill/disposal group	–	32
Loss from discontinued operations before tax	–	(25)
Income taxes	–	2
Loss from discontinued operations, net of tax, before divestiture	–	(27)
Loss on divestiture, net of tax	**(6)**	–
Loss from discontinued operations, net of tax	**(6)**	(27)

VIAWEST, INC.

In the fourth quarter of fiscal 2017, the Company entered into an agreement to sell 100% of its wholly owned subsidiary ViaWest, Inc ("ViaWest") for proceeds of approximately USD $1.68 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services segment relating to ViaWest are presented as discontinued operations separate from the Company's continuing operations. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Wireline segment.

	2018	**2017**
Revenue	–	336
Eliminations [(1)]	–	(2)
	–	334
Operating, general and administrative expenses		
Employee salaries and benefits	–	80
Purchases of goods and services	–	124
	–	204
Eliminations [(1)]	–	(2)
	–	202
Amortization	–	103
Interest on long-term debt	–	32
Amortization of transaction costs	–	12
Income (loss) from discontinued operations before tax and gain on divestiture	–	(15)
Income taxes	–	(6)
Income (loss) from discontinued operations, net of tax, before gain on divestiture	–	(9)
Gain on Divestiture, net of tax	–	330
Income from discontinued operations, net of tax	–	321

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they are expected to continue to be incurred subsequent to the disposition.

FINANCIAL POSITION

Total assets were $14.4 billion at August 31, 2018 compared to $14.4 billion at August 31, 2017. The following is a discussion of significant changes in the Consolidated Statement of Financial Position since August 31, 2017.

Current assets decreased $92 million due to decreases in cash of $123 million, accounts receivable of $31 million, inventories of $8 million and assets held for sale of $61 million partially offset by an increase in other current assets of $131 million. Cash decreased as the cash outlay for investing activities and financing activities exceeded the funds provided by operations. Accounts receivable decreased primarily due to the receipt of a commodity tax refund relating to the purchase of spectrum licenses in fiscal 2017. Assets held for sale as at August 31, 2017 included the assets of the Shaw Tracking business, which was sold on September 15, 2017.

Other current assets increased over the period mainly due to a significant increase in Wireless subscribers participating in both the Company's MyTab plan, a discretionary wireless handset discount plan and MyTab Boost, a plan that allows customers to pay less for their handset upfront if they pay a predetermined incremental charge on a monthly basis. The significant growth in handset sales was primarily related to the introduction of the iPhone to the Company's handset lineup in the second quarter of fiscal 2018.

Investments and other assets decreased by $277 million primarily due to an impairment charge of $284 million partially offset by equity income and other comprehensive income of associates both related to the Company's investment in Corus. The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 million was required. The recoverable amount was determined based on the value in use of the investment.

Property, plant and equipment increased $328 million due to capital investments in excess of amortization.

Short-term borrowings increased $40 million due to the Company establishing an accounts receivable securitization program with a Canadian financial institution on June 19, 2018 which allows it to sell certain trade receivables into the program. As at August 31, 2018, the proceeds of the sales were committed up to a maximum of $100 million. See "Liquidity and Capital Resources" for further details on the AR securitization program.

Current liabilities increased $219 million during the period primarily due to an increase in provisions of $169 million, accounts payable and accrued liabilities of $58 million, short-term borrowings of $40 million and unearned revenue of $10 million partially offset by decreases in income taxes payable of $18 million, and liabilities held for sale of $39 million. The increase in current provisions was mainly due to the restructuring costs related to TBT. In connection with the VDP, the Company recorded $446 million in restructuring charges primarily related to severance and other related costs, of which $172 million has been paid, $166 million is included in current provisions and $110 million is included in long-term provisions. Income taxes payable decreased due to normal course tax installment payments (net of refunds), offset by the current period provision. Accounts payable and accruals increased due to the timing of payments and fluctuations in various payables including capital expenditures and network fees. Liabilities held for sale as at August 31, 2017 included the liabilities of the Shaw Tracking business, which was sold on September 15, 2017.

Long-term debt increased $12 million primarily due to an increase in the Burrard Landing Lot 2 Holdings Partnership mortgage of $10 million. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually.

Other long-term liabilities decreased $101 million during the year primarily due to a remeasurement of the Company's defined benefit plan related to the effect of experience adjustments due to changes in demographic assumptions. The cost and related accrued benefit obligation of the Company's non-registered pension plans are determined using actuarial valuations. The actuarial valuations involve estimates and actuarial assumptions including discount rates and rate of compensation increase (financial assumptions) as well as mortality rates and retirement rates (demographic assumptions). Due to the long-term nature of the non-registered pension plans, such estimates are subject to significant uncertainty. Remeasurements related to the effect of experience adjustments arise when the non-registered pension plans' experience differs from the experience expected using the actuarial assumptions, such as mortality and retirement rates.

Shareholders' equity decreased $197 million mainly due to a decrease in retained earnings of $545 million partially offset by an increase in share capital of $259 million and accumulated other comprehensive income of $92 million. Share capital increased due to the issuance of 9,843,483 Class B non-voting participating shares ("Class B Non-Voting Shares") under the Company's option plan and Dividend Reinvestment Plan ("DRIP").

As at November 15, 2018, share capital is as reported at August 31, 2018 with the exception of the issuance of a total 1,486,183 Class B Non-Voting Shares upon exercise of options under the Company's option plan and the issuance of shares under the Company's dividend reinvestment plan. Retained earnings decreased due to dividends of

$605 million, offset by current year income of $60 million. Accumulated other comprehensive loss decreased due to the re-measurement recorded on employee benefit plans and a change in unrealized fair value of derivatives.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2018	2017	Change %
Funds flow from continuing operations	**1,259**	1,530	(17.7)
Net change in non-cash working capital balances related to continuing operations	**94**	(110)	>(100.0)
Operating activities of discontinued operations	**(2)**	82	>(100.0)
	1,351	1,502	(10.1)

On a year-to-date basis, funds flow from operations decreased over the comparable period primarily due to higher restructuring costs and lower operating income of discontinued operations partially offset by higher operating income before restructuring costs and amortization, lower income taxes, and lower interest costs. The net change in non-cash working capital balances related to continuing operations fluctuated over the comparative period due to changes in the accounts receivable, other current asset, and other long-term asset balances and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2018	2017	Increase
Cash flow used in investing activities	**(1,174)**	49	(1,223)

For the twelve-month period ended August 31, 2018, cash used in investing activities increased over the comparable period due primarily to proceeds of US$1.675 billion received on the sale of discontinued operations in the prior year and higher outlays for capital expenditures in the current year partially offset by a $405 million decrease in spectrum purchases, an $85 million increase in cash dividends received from Corus as a result of ceasing participation in their DRIP program in the current year and a $107 million decrease in cash payments relating to the wind-up of shomi.

Financing activities

The changes in financing activities during 2018 and 2017 were as follows:

(millions of Canadian dollars)	2018	2017
Bank loans – net borrowings (repayments)	**49**	(475)
Repay 5.70% Senior unsecured notes	–	(400)
Issuance of 3.80% Senior unsecured notes	–	300
Senior notes issuance cost	–	(2)
Freedom Mobile finance lease obligations	–	(2)
Bank facility arrangement costs	–	(2)
Dividends	**(392)**	(393)
Issuance of Class B Non-Voting Shares	**43**	77
Financing activities of discontinued operations	–	(551)
	(300)	(1,448)

LIQUIDITY AND CAPITAL RESOURCES

In the current year, the Company generated $411 million of free cash flow. Shaw used its free cash flow along with proceeds on issuance of Class B Non-Voting Shares of $43 million, proceeds from the sale of the Shaw Tracking business of $18 million to fund the net working capital change of $107 million, pay common share dividends of $384 million, and pay $177 million in restructuring costs.

The Company issued Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $211 million during the twelve months ending August 31, 2018.

Debt structure and financial policy

Shaw structures its borrowings generally on an unsecured and standalone basis. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

On June 19, 2018, the Company established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at August 31, 2018, the proceeds of the sales were committed up to a maximum of $100 million (with $40 million currently drawn under the program). The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables remain recognized on the Company's Consolidated Statement of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivable has no claim on any of our other assets.

As at August 31, 2018, the net debt leverage ratio for the Company is 1.9 times which is consistent with August 31, 2017. Having regard to prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5x would be optimal leverage for the Company in the current environment. Should the ratio fall below this, other than on a temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

The Company calculates net debt leverage ratio as follows[(1)]:

(millions of Canadian dollars)	2018	2017
Short-term borrowings	**40**	–
Current portion of Long-Term Debt	**1**	2
Long-Term Debt	**4,310**	4,298
50% of Outstanding Preferred Shares	**147**	147
Cash	**(384)**	(507)
(A) Net Debt [(3)]	**4,114**	3,940
Operating income before restructuring costs and amortization [(2)]	**2,089**	1,997
Corus Dividends	**92**	88
(B) Adjusted operating income before restructuring costs and amortization [(3)]	**2,181**	2,085
(A/B) Net debt leverage ratio [(2)]	**1.9x**	1.9x

(1) The following contains a description of the Company's use of non-IFRS financial measures provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.
(2) Refer to key performance drivers.
(3) These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies and have not been presented as an alternative to liquidity prescribed by IFRS.

Shaw's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios. At August 31, 2018 Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

	Covenant Limit
Shaw Credit Facilities	
Total Debt to Operating Cash Flow (1) Ratio	< 5.00:1
Operating Cash Flow (1) to Fixed Charges (2) Ratio	> 2.00:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense for the most recently completed fiscal quarter multiplied by four.

Subsequent to year-end, on November 2, 2018 the Company issued $1 billion of senior notes, comprised of $500 million principal amount of 3.80% senior notes due 2023 and $500 million principal amount of 4.40% senior notes due 2028. Estimated net proceeds (after issuance at a discount of $1.4 million and issue and underwriting expenses) of $994 million will be used for general corporate purposes, which may include the repayment of outstanding indebtedness of the Company. Pending any such use of net proceeds, the Company may invest the net proceeds in bank deposits and short-term marketable securities.

Subsequent to year end, on November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023. The credit facility is used for general corporate or working capital purposes.

On June 30, 2016, 1,987,607 of the Company's Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") were converted into an equal number of Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares") in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company has 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. The Series A Shares will continue to be listed on the TSX under the symbol SJR.PR.A. The Series B Shares began trading on the TSX on June 30, 2016 under the symbol SJR.PR.B. The annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five-year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%

The floating quarterly dividend rate will be reset quarterly.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations, including maturing debt, during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Off-balance sheet arrangement and guarantees

Guarantees

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 26 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2018 are detailed in the following table.

Contractual Obligations

	Payments due by period				
(millions of Canadian dollars)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Long-term debt [1]	6,815	242	2,373	268	3,932
Lease and maintenance obligations [2]	955	207	325	192	231
Purchase obligations [3]	645	372	261	5	7
Property, plant and equipment	220	194	26	–	–
	8,635	1,015	2,985	465	4,170

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, program related agreements, lease of transmission facilities and premises and exclusive rights to use intellectual property in Canada.
(3) Includes contractual obligations under service, product, and wireless device contracts.

Share Capital and Listings

The Company is authorized to issue a limited number of Class A participating shares ("**Class A Shares**"); an unlimited number of Class B Non-Voting participating shares (the "**Class B Non-Voting Shares**"); an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "**Series A Shares**") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "**Series B Shares**"). The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

As at November 15, 2018, there were 485,680,527 Class B Non-Voting Shares, 10,012,393 Series A Shares, and 1,987,607 Series B Shares and 22,420,064 Class A Shares issued and outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

The following table sets forth, for each month during the fiscal year ending August 31, 2018, the monthly price range and volume traded for the Class B Non-Voting Shares, Series A Shares and Series B Shares on the Toronto Stock Exchange (TSX) and for the Class A Shares on the TSX Venture Exchange (TSXV).

	Class A Shares[1] TSX Venture-SJR.A			Class B Non-Voting Shares[1] TSX-SJR.B			Series A Shares[1] TSX-SJR.PR.A			Series B Shares[1] TSX-SJR.PR.B		
	High	Low	Volume	High	Low	Volume	High	Low	Volume	High	Low	Volume
Sep 2017	30.02	29.05	12,378	28.84	27.41	17,247,541	17.04	16.56	186,838	18.01	16.76	56,140
Oct 2017	31.00	28.05	10,924	29.78	26.48	20,041,208	17.74	16.97	638,714	18.05	17.26	122,438
Nov 2017	31.10	29.37	9,164	29.83	28.01	19,180,394	17.82	17.20	140,188	18.05	17.49	38,155
Dec 2017	32.50	30.00	1,264	30.00	28.43	15,887,499	17.73	16.67	125,537	17.97	17.07	28,693
Jan 2018	32.50	28.50	16,110	28.87	26.70	25,635,750	19.97	17.33	125,381	19.20	17.68	16,785
Feb 2018	29.40	26.90	7,458	26.92	24.79	21,056,030	19.13	18.50	95,533	19.28	18.99	47,746
Mar 2018	28.97	25.90	7,796	25.17	23.90	29,711,525	19.06	17.95	200,729	19.19	18.54	19,024
Apr 2018	32.00	27.27	7,506	27.06	23.93	21,904,691	18.34	17.85	213,229	19.00	18.55	11,098
May 2018	29.00	26.93	6,392	26.74	25.63	25,763,958	18.55	17.45	135,063	19.29	18.65	20,580
Jun 2018	29.98	27.90	4,328	27.99	26.01	29,174,740	18.89	18.18	101,416	19.21	18.81	25,100
Jul 2018	30.00	28.01	3,434	27.56	26.16	16,911,585	18.53	18.12	75,456	19.54	19.05	28,000
Aug 2018	29.75	28.02	1,163	27.35	26.21	16,213,205	18.90	18.35	37,676	19.80	19.34	20,381

(1) Trading price and volume data is obtained from the TMX group

Share Splits

There have been four splits of the Company's Class A and Class B Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2018 Annual Information Form can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investors/Corporate Governance/ Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting ("ICFR").

As at August 31, 2018, the Company's management, together with its Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer, have evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and ICFR. Based on these evaluations, the Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have concluded that the Company's disclosure controls and procedures and the Company's ICFR are effective.

During the course of our year-end procedures over ICFR, we retrospectively reviewed and identified a deficiency in the operating effectiveness of controls over the capitalization of internal labour costs, as described in "Critical Accounting Policies and Estimates" on page 36, for fiscal 2017. Specifically, the operation of the controls did not result in sufficient evidence of review considering the nature of the data subject to the control activities. This deficiency represented a material weakness in ICFR as at August 31, 2017 which was not identified at that time and therefore not previously reported.

The material weakness identified did not result in any identified misstatement or error in the Company's consolidated financial statements as at and for the year ended August 31, 2017 and there were no changes in the Company's previously released financial statements.

In order to address the material weakness identified as of August 31, 2017, the controls related to capitalized labour have been re-designed during fiscal 2018, specifically the retention of additional evidence of review. The controls operated effectively as of August 31, 2018. Based on these efforts, the identified fiscal 2017 material weakness relating to ICFR over capitalized labor has been remediated.

There were no changes in the Company's ICFR during the fiscal year, other than the enhancements over capitalized labour noted above, that have materially affected or are reasonably likely to materially affect Shaw's ICFR.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Financials & Notes

Contents

Reports

Consolidated Statements of

Notes to the Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

November 28, 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Independent Auditors' Report of Registered Public Accounting Firm

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission 2013 framework. Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2018.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Shaw Communications Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Shaw Communications Inc. (the "Company"), which comprise the consolidated statements of financial position as at August 31, 2018 and August 31, 2017, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the "consolidated financial statements").

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2018 and August 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

Report on internal control over financial reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of August 31, 2018, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated November 28, 2018 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of accounting policies and principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

We have served as the Company's auditor since 1966.

Calgary, Canada

Ernst & Young LLP

November 28, 2018

Chartered Professional Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Shaw Communications Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Shaw Communications Inc.'s internal control over financial reporting as of August 31, 2018, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). In our opinion, Shaw Communications Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of August 31, 2018, based on the COSO criteria.

We also have audited, in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial position as at August 31, 2018 and August 31, 2017, the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information and our report dated November 28, 2018 expressed an unqualified opinion thereon.

Basis of Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Calgary, Canada

Ernst & Young LLP

November 28, 2018 Chartered Professional Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)	August 31, 2018	August 31, 2017
ASSETS		
Current		
Cash	**384**	507
Accounts receivable (note 4)	**255**	286
Inventories (note 5)	**101**	109
Other current assets (note 6)	**286**	155
Assets held for sale (note 3)	**–**	61
	1,026	1,118
Investments and other assets (notes 7 and 29)	**660**	937
Property, plant and equipment (note 8)	**4,672**	4,344
Other long-term assets (note 9)	**300**	255
Deferred income tax assets (note 24)	**4**	4
Intangibles (note 10)	**7,482**	7,435
Goodwill (note 10)	**280**	280
	14,424	14,373
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings (note 11)	**40**	–
Accounts payable and accrued liabilities (note 12)	**971**	913
Provisions (note 13)	**245**	76
Income taxes payable	**133**	151
Unearned revenue	**221**	211
Current portion of long-term debt (notes 14 and 29)	**1**	2
Liabilities held for sale (note 3)	**–**	39
	1,611	1,392
Long-term debt (notes 14 and 29)	**4,310**	4,298
Other long-term liabilities (notes 15 and 27)	**13**	114
Provisions (note 13)	**179**	67
Deferred credits (note 16)	**460**	490
Deferred income tax liabilities (note 24)	**1,894**	1,858
	8,467	8,219
Commitments and contingencies (note 14, 26 and 27)		
Shareholders' equity		
Common and preferred shareholders	**5,956**	6,153
Non-controlling interests in subsidiaries	**1**	1
	5,957	6,154
	14,424	14,373

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31, (millions of Canadian dollars except per share amounts)	2018 $	2017 $
Revenue (note 25)	**5,239**	4,882
Operating, general and administrative expenses (note 22)	**(3,150)**	(2,885)
Restructuring costs (notes 13 and 22)	**(446)**	(54)
Amortization:		
Deferred equipment revenue (note 16)	**30**	38
Deferred equipment costs (note 9)	**(110)**	(122)
Property, plant and equipment, intangibles and other (notes 8,9,10 &16)	**(932)**	(860)
Operating income from continuing operations	**631**	999
Amortization of financing costs – long-term debt (note 14)	**(3)**	(2)
Interest expense (notes 14 and 25)	**(248)**	(267)
Equity income (loss) of an associate or joint venture (note 7)	**(200)**	73
Other gains (losses) (note 23)	**29**	(65)
Income from continuing operations before income taxes	**209**	738
Current income tax expense (note 24)	**137**	142
Deferred income tax recovery (note 24)	**6**	39
Net income from continuing operations	**66**	557
Income (loss) from discontinued operations, net of tax (note 3)	**(6)**	294
Net income	**60**	851
Net income from continuing operations attributable to:		
Equity shareholders	**66**	557
Income (loss) from discontinued operations attributable to:		
Equity shareholders	**(6)**	294
Basic earnings (loss) per share (note 19)		
Continuing operations	**0.11**	1.12
Discontinued operations	**(0.01)**	0.60
	0.10	1.72
Diluted earnings (loss) per share (note 19)		
Continuing operations	**0.11**	1.11
Discontinued operations	**(0.01)**	0.60
	0.10	1.71

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, (millions of Canadian dollars)	2018 $	2017 $
Net income	**60**	851
Other comprehensive income (loss) (note 21)		
Items that may subsequently be reclassified to income:		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**5**	(7)
Adjustment for hedged items recognized in the period	**3**	(2)
Share of other comprehensive income of associates	**10**	13
Discontinued operations:		
Exchange differences on translation of a foreign operation	**–**	(50)
Exchange differences on US denominated debt hedging a foreign operation	**–**	24
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	**–**	(82)
	18	(104)
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans:		
Continuing operations	**74**	25
	92	(79)
Comprehensive income	**152**	772
Comprehensive income attributable to:		
Equity shareholders	**152**	772

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2018

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2017	**4,090**	**30**	**2,164**	**(131)**	**6,153**	**1**	**6,154**
Net income	–	–	**60**	–	**60**	–	**60**
Other comprehensive income	–	–	–	**92**	**92**	–	**92**
Comprehensive income	–	–	**60**	**92**	**152**	–	**152**
Dividends	–	–	**(394)**	–	**(394)**	–	**(394)**
Dividend reinvestment plan	**211**	–	**(211)**	–	–	–	–
Shares issued under stock option plan	**48**	**(6)**	–	–	**42**	–	**42**
Share-based compensation	–	**3**	–	–	**3**	–	**3**
Balance as at August 31, 2018	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**

Year ended August 31, 2017

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance as at September 1, 2016	3,799	42	1,908	(52)	5,697	1	5,698
Net income	–	–	851	–	851	–	851
Other comprehensive loss	–	–	–	(79)	(79)	–	(79)
Comprehensive income	–	–	851	(79)	772	–	772
Dividends	–	–	(397)	–	(397)	–	(397)
Dividend reinvestment plan	198	–	(198)	–	–	–	–
Shares issued under stock option plan	93	(15)	–	–	78	–	78
Share-based compensation	–	3	–	–	3	–	3
Balance as at August 31, 2017	4,090	30	2,164	(131)	6,153	1	6,154

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (millions of Canadian dollars)	2018 $	2017 $
OPERATING ACTIVITIES		
Funds flow from operations (note 30)	**1,259**	1,530
Net change in non-cash balances related to continuing operations	**94**	(110)
Operating activities from discontinued operations	**(2)**	82
	1,351	1,502
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 25)	**(1,127)**	(999)
Additions to equipment costs (net) (note 25)	**(49)**	(73)
Additions to other intangibles (note 25)	**(131)**	(111)
Net decrease (increase) to inventories	**8**	(48)
Proceeds on sale of discontinued operations, net of costs and cash sold	**18**	1,905
Proceeds on sale of spectrum licences	**35**	–
Purchase of spectrum licences	**(25)**	(430)
Additions to investments and other assets	**88**	(92)
Distributions received and proceeds from sale of investments	**–**	6
Proceeds on disposal of property, plant and equipment (notes 25 and 30)	**9**	–
Investing activities of discontinued operations	**–**	(109)
	(1,174)	49
FINANCING ACTIVITIES		
Increase in short-term borrowings (note 11)	**40**	–
Increase in long-term debt	**10**	1,233
Debt repayments	**(1)**	(1,810)
Bank credit facility arrangement costs	**–**	(4)
Issue of Class B Non-Voting Shares	**43**	77
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(384)**	(385)
Dividends paid on Series A Preferred Shares	**(8)**	(8)
Financing activities of discontinued operations	**–**	(551)
	(300)	(1,448)
Effect of currency translation on cash balances	**–**	(1)
Increase (decrease) in cash	**(123)**	102
Cash, beginning of year	**507**	405
Cash of continuing operations, end of year	**384**	507

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[all amounts in millions of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, business and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange and New York Stock Exchange ("NYSE") (Symbol: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2018 and 2017, were approved by the Board of Directors and authorized for issue on November 28, 2018.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of the acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations include a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company has classified its approximate 38% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors.

The Company classified its 50% interest in the Shomi Partnership ("shomi") as an investment in a joint venture after considering the terms and conditions of the partnership. In September 2016, Shaw and Rogers Communications Inc., announced the decision to wind down its operations with service ending November 30, 2016. In December 2017, the remaining assets associated with shomi were transferred to their respective partners and the partnership was officially wound up.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue, customer premise equipment revenue, handset equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

Revenue from Cable, Internet, Digital Phone, Direct-to-Home ("DTH") and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

Subscriber connection fees received from Cable, Internet, and Digital Phone customers are deferred and recognized as revenue on a straight-line basis over three years. Direct and incremental initial selling, administrative and connection costs related to subscriber acquisitions are recognized as an operating expense as incurred. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. A portion of future revenues earned in connection with the services is applied against the up-front discount provided on the handset. The Company also offers a plan allowing customers to receive larger up-front handset discounts than they would otherwise qualify for, if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis and is recognized as revenue at that time. The Company recognizes the handset discount as a receivable and revenue upon the sale of the equipment on the basis that the receivable is recoverable. The receivable is realized on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to revenue. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statement of financial position.

Affiliate subscriber revenue is recognized monthly based on subscriber levels. Advertising revenues are recognized in the period in which the advertisements are broadcast and recorded net of agency commissions as these amounts are paid directly to the agency or advertiser. When a sales arrangement includes multiple advertising spots, the proceeds are allocated to individual advertising spots under the arrangement based on relative fair values. Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

(ii) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment and Digital Cable Terminals ("DCTs") is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DCT and DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(iii) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Securitization of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings as we do not transfer control and substantially all the risks and rewards of ownership to another entity and thus do not result in our de-recognition of the trade receivables sold.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DCTs and DTH receivers, which are held pending rental or sale at cost or at a subsidized price. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable, Wireless and telecommunications distribution system	3 – 20 years
Digital cable terminals and modems	2 – 5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3 – 15 years
Buildings	15 – 40 years
Data centre infrastructure	3 – 21 years
Data processing	4 – 10 years
Other	4 – 20 years

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to Note 3 for further information regarding the Company's discontinued operations.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) multi-year service plan discounts, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over the term of the plan, (iii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iv) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (v) long-term receivables, (vi) network capacity leases, (vii) the non-current portion of prepaid maintenance and support contracts and (viii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets, for which the commencement date is on or after September 1, 2010, that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 6% (2017 – 6%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. The Company had an additional cash generating unit, Data Centres, until the sale of Viawest in August 2017. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) connection fee revenue, initial setup fees and upfront installation revenue, as described in the revenue and expenses accounting policy, deferred and amortized over two to ten years, and (iv) a deposit on a future fibre sale.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in income tax expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain/(loss) recognized on the translation and settlement of current monetary assets and liabilities was $1 (2017 – $12) and is included in other gains/(losses).

The functional currency of the Company's discontinued foreign operations was US dollars. Assets and liabilities, including goodwill and fair value adjustments arising on acquisition, were translated into Canadian dollars using the foreign exchange rate at the end of the reporting period. Revenue and expenses were translated using average foreign exchange rates, which approximate the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation were included in other comprehensive income/loss and accumulated in equity and reclassified to net income in the period the foreign operations were disposed of.

Financial instruments other than derivatives

Financial instruments have been classified as loans and receivables, assets available-for-sale, assets held-for-trading or financial liabilities. Cash has been classified as held-for-trading and is recorded at fair value with any change in fair value immediately recognized in income (loss). Other financial assets are classified as available-for-sale or as loans and receivables. Available-for-sale assets are carried at fair value with changes in fair value recorded in other comprehensive income (loss) until realized. Available-for-sale equity instruments not quoted in an active market and where fair value cannot be reliably measured are recorded at cost less impairment. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial assets are classified as held-to-maturity and none of its financial liabilities are classified as held-for-trading.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

A net investment hedge of the discontinued foreign operation was accounted for similarly to a cash flow hedge. The Company designated certain US dollar denominated debt as a hedge of its net investment in foreign operations where the US dollar was the functional currency. Unrealized gains and losses arising from translation of the US dollar denominated debt were included in other comprehensive income/loss and accumulated in equity and reclassified to net income in the period the foreign operations were disposed of.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective August 31, 2018 and the next actuarial valuations for funding purposes are effective August 31, 2019.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit ("RSU") plan for officers and employees of the Company. RSUs vest on the first, second and third anniversary of the grant date and compensation is recognized on a straight-line basis over the three-year vesting period. RSUs will be settled in cash and the obligation for RSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions, increasing to 33% once an employee reaches 10 years of continuous service, and records such amounts as compensation expense.

Share appreciation rights ("SARs") issued by a discontinued subsidiary to eligible employees were cash settled and measured at fair value using the Black-Scholes option pricing model. The fair value was recognized over the vesting period of the SARs by applying the graded vesting method, adjusting for estimated forfeitures. The obligation for SARs was remeasured at the end of each period up to the date of settlement which required a reassessment of the estimates used at the end of each reporting period.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgments which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Contractual service revenue

The Company is required to make an estimate of the total amount of contractual service revenue when offering discounts on multi-year service plans. The estimated revenue is a matter of judgment and the total revenue earned over the period may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, customer and economic conditions.

(iii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgment is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iv) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgments to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(v) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or market approach. Where a DCF analysis is used, significant judgments are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licences, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(vi) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vii) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(viii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, and Wireless. The Company had an additional CGU, Data Centres, until the sale of Viawest in August 2017.

(ii) Broadcast rights and licences and spectrum licences – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licences (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licences issued by the Department of Innovation, Science and Economic Development (formerly, Industry Canada). While these licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncement

The adoption of the following IFRS amendments effective September 1, 2017 had no impact on the Company's consolidated financial statements.

- *Statement of Cash Flows* (amendments to IAS 7) improves disclosures regarding changes in financing liabilities. The amendments were applied prospectively for the annual period commencing September 1, 2017.
- *Income Taxes* (amendments to IAS 12) clarifies how to account for deferred tax assets related to debt instruments measured at fair value. The amendments were applied prospectively for the annual period commencing September 1, 2017.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 2 *Share-based Payment* was amended in 2016 to clarify the accounting and measurement for certain types of share-based payment transactions. It is required to be applied for annual periods commencing on or after January 1, 2018. The amendments to IFRS 2 will not have a significant impact on our financial statements.
- IFRS 9 *Financial Instruments: Classification and Measurement* replaces IAS 39 *Financial Instruments* and applies a principal-based approach to the classification and measurement of financial assets and financial liabilities, including an expected credit loss model for calculating impairment, and includes new requirements for hedge accounting. The standard is required to be applied retrospectively for the annual period commencing January 1, 2018. The adoption of IFRS 9 will not have a significant impact on our financial statements.
- IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 *Leases.* The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  We have a team engaged to ensuring our compliance with IFRS 16. This team has been responsible for determining information technology requirements, ensuring scoping and data collection is appropriate, and communicating the upcoming changes with various stakeholders. In 2019, we will be implementing a process that will enable us to comply with the requirements of IFRS 16 on a lease-by-lease basis. As a result, we are continuing to assess the effect of this standard on our consolidated financial statements and it is not yet possible to make a reliable estimate of its effect. We expect to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 consolidated financial statements.

  The standard may be applied retroactively or using a modified retrospective approach for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company will evaluate the adoption approach in conjunction with its assessment of the expected impacts of adoption.
- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019.
- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

  The application of IFRS 15 will impact the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

  Revenue – timing and classification
  The application of this standard will most significantly affect our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue is affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This will result in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months will now be recognized at

contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue will be allocated to service revenue. The measurement of total revenue recognized over the life of a contract will be largely unaffected by the new standard. We do not expect the application of IFRS 15 to affect our timing of cash flows from operations or the methods and underlying economics through which we transact with our customers.

Costs of contract acquisition – timing of recognition
IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company currently expenses such costs as incurred.

Contract assets and liabilities
The Company's financial position will also be impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers. While similar differences are recognized currently, IFRS 15 introduces additional requirements and disclosures specific to contracts with customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

The new standard is effective for annual periods beginning on or after January 1, 2018, which for the Company will be the annual period commencing September 1, 2018 and must be applied either retrospectively or on a modified retrospective basis for all contracts that are not complete as at that date. We have made a policy choice to restate each period presented and recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity at the beginning of the earliest period presented, subject to certain adopted practical expedients.

Impacts of IFRS 15, Revenue from Contracts with Customers

Based on our preliminary analysis, IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Income as follows:

		Year ended August 31, 2018		
(billions of Canadian dollars)		**As reported**	**Estimated effect of transition**	**Subsequent to transition**
Revenue	i.	5.24	(0.05)	5.19
Operating, general and administrative expenses	ii.	(3.15)	0.02	(3.13)
Other non-operating costs		(1.88)	–	(1.88)
Income from continuing operations before income taxes		0.21	(0.03)	0.18
Income tax expense		0.14	(0.01)	0.13
Net income from continuing operations		0.07	(0.02)	0.05

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract will be lower than previously recognized.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the contract on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer contract.

Based on our preliminary analysis, IFRS 15, *Revenue from Contracts with Customers,* will affect the fiscal 2018 comparative amounts to be reported in our fiscal 2019 Consolidated Statements of Financial Position as follows:

(billions of Canadian dollars)		As at September 1, 2017 As reported	As at September 1, 2017 Estimated effect of transition	As at September 1, 2017 Subsequent to transition	As at August 31, 2018 As reported	As at August 31, 2018 Estimated effect of transition	As at August 31, 2018 Subsequent to transition
ASSETS							
Current							
Current portion of contract assets	i.	–	0.01	0.01	**–**	**0.05**	**0.05**
Other current assets	ii.	0.16	0.02	0.18	**0.29**	**(0.04)**	**0.25**
Remainder of current assets		0.96	–	0.96	**0.74**	**–**	**0.74**
		1.12	0.03	1.15	**1.03**	**0.01**	**1.04**
Contract assets	i.	–	0.05	0.05	**–**	**0.08**	**0.08**
Other long-term assets	ii.	0.26	(0.03)	0.23	**0.29**	**(0.08)**	**0.21**
Remainder of long-term assets		12.99	–	12.99	**13.10**	**–**	**13.10**
		14.37	0.05	14.42	**14.42**	**0.01**	**14.43**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Current							
Unearned revenue	i.	0.21	(0.21)	–	**0.22**	**(0.22)**	**–**
Current portion of contract liabilities	i.	–	0.21	0.21	**–**	**0.22**	**0.22**
Remainder of current liabilities		1.18	–	1.18	**1.39**	**–**	**1.39**
		1.39	–	1.39	**1.61**	**–**	**1.61**
Deferred credits	i.	0.49	(0.02)	0.47	**0.46**	**(0.02)**	**0.44**
Deferred income tax liabilities	ii.	1.86	–	1.86	**1.89**	**(0.01)**	**1.88**
Contract liabilities	i.	–	0.02	0.02	**–**	**0.02**	**0.02**
Remainder of long-term liabilities		4.48	–	4.48	**4.50**	**–**	**4.50**
		8.22	–	8.22	**8.46**	**(0.01)**	**8.45**
Shareholders' equity		6.15	0.05	6.20	**5.96**	**0.02**	**5.98**
		14.37	0.05	14.42	**14.42**	**0.01**	**14.43**

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

The application of IFRS 15 will not affect our cash flows from operating, investing, or financing activities.

Change in accounting policy

In September 2017, the IFRS Interpretations Committee ("the Committee") published a summary of its agenda decision regarding accounting for interest and penalties related to income taxes, which is not specifically addressed by IFRS Standards. Although the Committee decided not to add this issue to its standard-setting agenda, the Committee noted if an entity considers a particular amount payable or receivable for interest and penalties to be an income tax, then the entity applies IAS 12 *Income Taxes* to that amount. If an entity does not apply IAS 12 to a particular amount payable or receivable for interest and penalties, it applies IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. As such, the Company retrospectively changed its accounting policy for the accounting of interest and penalties related to income taxes to be in line with the Committee decision. The change of accounting policy did not have a significant impact on the previously reported consolidated financial statements.

3. ASSET DISPOSITIONS AND ASSET HELD FOR SALE

Shaw Tracking

In the third quarter of fiscal 2017, the Company entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Wireline segment, for proceeds of approximately US $20 million, net of working capital adjustments. Accordingly, the operating results and operating cash flows of the Tracking business are presented as discontinued operations separate from the Company's continuing operations.

The transaction closed on September 15, 2017 and the Company recognized a loss on the divestiture within income from discontinued operations as follows:

	August 31, 2018
Proceeds on disposal, net of transaction costs of $nil	**18**
Net assets disposed	**(22)**
	(4)
Income taxes	**2**
Loss on divestiture, net of tax	**(6)**

The asset and liabilities disposed of were as follows:

	$
Accounts receivable	**6**
Inventories	**5**
Other current assets	**1**
Other long-term assets	**25**
Goodwill	**24**
	61
Accounts payable and accrued liabilities	**8**
Deferred credits	**33**
Deferred income tax liabilities	**(2)**
	22

The following table summarizes the carrying value of the major classes of assets and liabilities of the disposal group which were classified as held for sale as at August 31, 2017:

	August 31, 2017
Accounts receivable	6
Inventories	6
Other current assets	1
Other long-term assets	24
Goodwill	24
Total assets of the discontinued operations classified as held for sale	61
Accounts payable and accrued liabilities	9
Deferred credits	32
Deferred income tax liabilities	(2)
Total liabilities of the discontinued operations classified as held for sale	39

ViaWest

In the fourth quarter of fiscal 2017, the Company announced it had entered into an agreement to sell 100% of its wholly owned subsidiary Viawest, Inc. ("Viawest") for proceeds of approximately US$1.68 billion. Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services segment are presented as discontinued operations separate from the Company's continuing operations. Prior period financial information has also been reclassified to present the Business Infrastructure Services division of the Company as a discontinued operation.

The transaction closed on August 1, 2017 and the Company recognized a gain on the divestiture within income from discontinued operations as follows:

	August 31, 2017
Proceeds on disposal, net of transaction costs of $14	**1,905**
Reclassification of accumulated exchange differences from other comprehensive income related to the sale of a foreign operation	**82**
Net assets disposed	**(1,625)**
	362
Income taxes	**32**
Gain on divestiture, net of tax	**330**

In connection with the sale, the Company repaid Viawest debt of approximately US$466 and amounts outstanding under the Company's bank credit facility of US$380.

The assets and liabilities disposed of were as follows:

	$
Cash	10
Accounts receivable	19
Other current assets	11
Property, plant and equipment	491
Other long-term assets	17
Intangibles	443
Goodwill	934
	1,925
Accounts payable and accrued liabilities	32
Unearned revenue	5
Long-term debt	139
Other long-term liabilities	20
Deferred credits	15
Deferred income tax liabilities	89
	300

Results of Discontinued Operations

A reconciliation of the major classes of line items constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is shown below:

August 31, 2018	Shaw Tracking	ViaWest	Total
Revenue	**1**	**–**	**1**
Operating, general and administrative expenses			**–**
Purchases of goods and services	**1**	**–**	**1**
	1	**–**	**1**
Loss from discontinued operations before loss on divestiture	**–**	**–**	**–**
Loss on divestiture, net of tax	**(6)**	**–**	**(6)**
Loss from discontinued operations, net of tax	**(6)**	**–**	**(6)**

August 31, 2017	Shaw Tracking	ViaWest	Total
Revenue	33	336	369
Eliminations [(1)]	–	(2)	(2)
	33	334	367
Operating, general and administrative expenses			–
Employee salaries and benefits	7	80	87
Purchases of goods and services	18	124	142
	25	204	229
Eliminations [(1)]	–	(2)	(2)
	25	202	227
Restructuring costs	3	–	3
Amortization [(2)]	(2)	103	101
Interest on long-term debt	–	32	32
Accretion of long-term liabilities and provisions	–	12	12
Impairment of goodwill/disposal group	32	–	32
Loss from discontinued operations before tax and gain on divestiture	(25)	(15)	(40)
Income taxes	2	(6)	(4)
Loss from discontinued operations before gain on divestiture	(27)	(9)	(36)
Gain on divestiture, net of tax	–	330	330
Income (loss) from discontinued operations, net of tax	(27)	321	294

(1) Eliminations relate to intercompany transactions between continuing and discontinued operations. The costs are included in continuing operations as they continue to be incurred subsequent to the disposition.

(2) As of the date Viawest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the year amounted to $16.

4. ACCOUNTS RECEIVABLE

	2018 $	2017 $
Subscriber and trade receivables	**305**	278
Due from related parties (note 28)	**–**	1
Miscellaneous receivables	**7**	55
	312	334
Less allowance for doubtful accounts	**(57)**	(48)
	255	286

Included in operating, general and administrative expenses is a provision for doubtful accounts of $38 (2017 – $40).

5. INVENTORIES

Subscriber equipment of $101 (2017 – $109) includes DTH equipment, DCTs and related customer premise equipment, as well as wireless handsets.

6. OTHER CURRENT ASSETS

	2018 $	2017 $
Prepaid expenses	**103**	99
Wireless handset receivables	**183**	56
	286	155

7. INVESTMENTS AND OTHER ASSETS

	2018 $	2017 $
Publicly traded companies	**615**	896
Investments in private entities	**45**	41
	660	937

The Company has a portfolio of minor investments in various private entities.

Corus

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. The company's portfolio of multimedia offerings encompasses 44 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares. Although the Class B Corus shares do not have voting rights, the Company is considered to have significant influence due to Board representation. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing, and the final one third for 24 months post-closing, until March 31, 2018. As at August 31, 2018, the Company still holds all of the Corus B Consideration Shares that were received.

The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan until September 1, 2017. For the year ended August 31, 2018, the Company received dividends of $92 (2017 – $88) from Corus, of which $nil (2017 – $81) were reinvested in additional Corus Class B shares. At August 31, 2018, the Company owned

80,630,383 (2017 – 80,630,383) Corus Class B shares having a fair value of $298 (2017 – $1,109) and representing 38% (2017 – 39%) of the total issued equity of Corus. The Company's weighted average ownership of Corus for the year ended August 31, was 39% (2017 – 38%). As of September 1, 2017, the Company's Corus B Consideration Shares no longer participate in Corus' dividend reinvestment plan.

Summary financial information for Corus is as follows:

	2018 $	2017 $
Current assets	**508**	525
Non-current assets	**4,375**	5,543
Current liabilities	**(523)**	(604)
Non-current liabilities	**(2,683)**	(2,864)
Net assets	**1,677**	2,600
Less: non-controlling interests	**(154)**	(159)
	1,523	2,441
Carrying amount of the investment less accumulated impairment losses	**615**	897

	Year ended August 31,	
	2018	2017
Revenue	**1,647**	1,679
Net income (loss) attributable to:		
Shareholders	**(784)**	192
Non-controlling interest	**26**	32
	(758)	224
Other comprehensive income, attributable to shareholders	**25**	33
Comprehensive income (loss)	**(733)**	257
Equity income from associates, excluding goodwill impairment	**84**	73
Impairment of investment in associate (1)	**(284)**	–
Equity income from associates (2)	**(200)**	73
Other comprehensive income from equity accounted associates (2)	**10**	13
	(190)	86

(1) The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 was required. The recoverable amount was determined based on the value in use of the investment.

(2) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the years ended August 31, 2018 and 2017.

Shomi Partnership

The Company had a 50% joint control interest in Shomi Partnership (“shomi”), which was a subscription video-on-demand service that launched in November 2014. In September 2016, Shaw and Rogers Communications Inc., announced the decision to wind down its operations with service ending on November 30, 2016. The Company’s interest in shomi was accounted for using the equity method until May 31, 2016, at which point the investment was written down to zero. In December 2017, the remaining assets associated with shomi were transferred to their respective partners and the partnership was officially wound up. For the year ended August 31, 2018, an investment loss of $nil (2017 – $82) has been recorded. Summarized financial information is as follows:

	2018 $	2017 $
Current assets	–	10
Non-current assets	–	–
Current liabilities	–	–
Non-current liabilities	–	–
Partnership net assets	–	10
Carrying amount of the investment [1]	–	–

	Year ended August 31,	
	2018	2017
Revenue	–	(19)
Expenses	–	252
Partnership net loss	–	271
Equity loss in the partnership [1]	–	–

[1] The Company’s carrying amount the investment and equity loss does not equal 50% of the partnership’s net assets and net loss due to elimination of unrealized profit on downstream transactions between the Company and shomi and the write-down of the carrying amount of the investment during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2018			August 31, 2017		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**6,506**	**3,142**	**3,364**	5,955	2,843	3,112
Digital cable terminals and modems	**855**	**499**	**356**	826	468	358
Satellite audio, video and data network and DTH receiving equipment	**111**	**46**	**65**	124	64	60
Land and buildings	**641**	**238**	**403**	645	217	428
Data centre infrastructure, data processing and other	**679**	**410**	**269**	685	400	285
Assets under construction	**215**	**–**	**215**	101	–	101
	9,007	**4,335**	**4,672**	8,336	3,992	4,344

Changes in the net carrying amounts of property, plant and equipment for 2018 and 2017 are summarized as follows:

	August 31, 2017								August 31, 2018
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	**3,112**	**578**	**208**	**–**	**(524)**	**(10)**	**–**	**–**	**3,364**
Digital cable terminals and modems	**358**	**224**	**–**	**–**	**(226)**	**–**	**–**	**–**	**356**
Satellite audio, video and data network and DTH receiving equipment	**60**	**19**	**–**	**–**	**(14)**	**–**	**–**	**–**	**65**
Land and buildings	**428**	**4**	**–**	**–**	**(29)**	**–**	**–**	**–**	**403**
Data centre infrastructure, data processing and other	**285**	**27**	**11**	**–**	**(54)**	**–**	**–**	**–**	**269**
Assets under construction	**101**	**333**	**(219)**	**–**	**–**	**–**	**–**	**–**	**215**
	4,344	**1,185**	**–**	**–**	**(847)**	**(10)**	**–**	**–**	**4,672**

	August 31, 2016								August 31, 2017
	Net book value $	Additions $	Transfers $	Acquisition $	Amortization $	Disposals and writedown $	Divestment $	Foreign exchange translation $	Net book value $
Cable and telecommunications distribution system	2,807	519	272	–	(485)	(1)	–	–	3,112
Digital cable terminals and modems	347	224	–	–	(213)	–	–	–	358
Satellite audio, video and data network and DTH receiving equipment	62	15	–	–	(17)	–	–	–	60
Land and buildings	393	61	195	–	(37)	–	(176)	(8)	428
Data centre infrastructure, data processing and other	622	79	10	–	(117)	(1)	(294)	(14)	285
Assets under construction	376	224	(477)	–	–	–	(21)	(1)	101
	4,607	1,122	–	–	(869)	(2)	(491)	(23)	4,344

In 2018, the Company recognized a loss of $1 (2017 – loss of $2) on the disposal of property, plant and equipment.

9. OTHER LONG-TERM ASSETS

	2018 $	2017 $
Equipment costs subject to a deferred revenue arrangement	**121**	163
Long-term Wireless handset receivables	**99**	29
Customer equipment financing receivables	**–**	2
Credit facility arrangement fees	**4**	5
Other	**76**	56
	300	255

Amortization provided in the accounts for 2018 amounted to $196 (2017 – $134), including $nil (2017 – $12) recorded in discontinued operations, and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	2018 $	2017 $
Broadcast rights and licences		
Cable systems	**4,016**	4,016
DTH and satellite services	**1,013**	1,013
	5,029	5,029
Wireless spectrum licences	**1,953**	1,947
Other intangibles		
Software	**434**	380
Customer relationships	**66**	79
	7,482	7,435
Goodwill		
Cable and telecommunications systems	**79**	79
Wireless	**201**	201
	280	280
Net book value	**7,762**	7,715

Broadcast rights and licences, trademark, brands and wireless spectrum licences have been assessed as having indefinite useful lives. While licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licences $	Trademark and brands $	Goodwill $	Wireless spectrum licences $
September 1, 2016	5,029	53	1,315	1,517
Additions	–	–	–	430
Disposition (note 3)	–	(51)	(958)	–
Write-down (note 3)	–	–	(32)	–
Foreign currency translation	–	(2)	(45)	–
August 31, 2017	**5,029**	**–**	**280**	**1,947**
Additions	**–**	**–**	**–**	**25**
Disposition	**–**	**–**	**–**	**(19)**
August 31, 2018	**5,029**	**–**	**280**	**1,953**

Intangibles subject to amortization are as follows:

	August 31, 2018			August 31, 2017		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Software	**595**	**183**	**412**	524	147	377
Software under construction	**22**	**–**	**22**	3	–	3
Customer relationships	**114**	**48**	**66**	114	35	79
	731	**231**	**500**	641	182	459

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Program rights and advances $	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2016	–	118	211	522	851
Additions	1	99	26	–	126
Transfers	–	234	(234)	–	–
Disposition (note 3)	–	(7)	–	(386)	(393)
Amortization	(1)	(67)	–	(39)	(107)
Foreign currency translation	–	–	–	(18)	(18)
August 31, 2017	**–**	**377**	**3**	**79**	**459**
Additions	**–**	**121**	**17**	**–**	**138**
Transfers	**–**	**(2)**	**2**	**–**	**–**
Amortization	**–**	**(84)**	**–**	**(13)**	**(97)**
August 31, 2018	**–**	**412**	**22**	**66**	**500**

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2018 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2018 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2018 would not result in an impairment loss. The Wireless cash generating unit was created with the acquisition of Freedom on March 1, 2016. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2018 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2018 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2018.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2018, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	**Terminal growth rate**	**Terminal operating income before restructuring costs and amortization multiple**
Cable	8.0%	2.5%	7.5X
Satellite	8.5%	0.0%	5.5X
Wireless	9.0%	2.5%	8.0X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	**1% decrease in terminal growth rate**	**0.5 times decrease in terminal operating income before restructuring costs and amortization multiple**
Cable	10.0%	6.0%	3.0%
Satellite	7.0%	n/a	3.0%
Wireless	11.0%	7.0%	3.0%

11. SHORT-TERM BORROWINGS

On June 19, 2018 the Company established an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $100. The Company will continue to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables will remain recognized on the Company's Consolidated Statement of Financial Position and the funding received will be recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets. Sale proceeds in respect of the new securitization program of approximately $40 were received on June 19, 2018. The term of this revolving-period agreement ends on June 19, 2019.

A summary of our accounts receivable securitization program as at August 31 is as follows:

	2018 $	2017 $
Trade accounts receivable sold to buyer as security	**429**	–
Short-term borrowings from buyer	**(40)**	–
Overcollateralization	**389**	–

	2018 $	2017 $
Accounts receivable securitization program, beginning of period	**–**	–
Proceeds received from accounts receivable securitization	**40**	–
Repayment of accounts receivable securitization	**–**	–
Accounts receivable securitization program, end of period	**40**	–

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018 $	2017 $
Trade	**98**	73
Program rights	**8**	12
Accrued liabilities	**496**	436
Accrued network fees	**125**	134
Interest and dividends	**227**	224
Related parties (note 28)	**17**	34
	971	913

13. PROVISIONS

	Asset retirement obligations $	Restructuring[1][2] $	Other $	Total $
September 1, 2016	46	4	57	107
Additions	13	57	103	173
Accretion	1	–	–	1
Reversal	–	–	(2)	(2)
Payments	–	(54)	(82)	(136)
August 31, 2017	60	7	76	143
Additions	**6**	**446**	**25**	**477**
Accretion	**1**	**–**	**–**	**1**
Reversal	**–**	**–**	**(13)**	**(13)**
Payments	**–**	**(177)**	**(7)**	**(184)**
August 31, 2018	**67**	**276**	**81**	**424**
Current	–	7	69	76
Long-term	60	–	7	67
August 31, 2017	60	7	76	143
Current	**–**	**166**	**79**	**245**
Long-term	**67**	**110**	**2**	**179**
August 31, 2018	**67**	**276**	**81**	**424**

(1) During 2017, the Company restructured certain operations within the Wireline segment and announced a realignment to integrate certain Consumer/Business operations and Freedom Mobile. A total of $5 has been paid in fiscal 2018. The majority of the remaining costs are expected to be paid within the next six months.

(2) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the second half of 2018 additional changes to its organizational structure as part of a total business transformation initiative. In connection with the restructuring, the Company recorded $446 primarily related to severance and employee related costs in respect of the approximate 3,300 affected employees. A total of $172 has been paid in fiscal 2018. The remaining costs are expected to be paid within the next 29 months.

14. LONG-TERM DEBT

	Effective interest rates %	2018 Long-term debt at amortized cost(1) $	2018 Adjustment for finance costs(1) $	2018 Long-term debt repayable at maturity $	2017 Long-term debt at amortized cost(1) $	2017 Adjustment for finance costs(1) $	2017 Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,248**	**2**	**1,250**	1,247	3	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	498	2	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	298	2	300
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
6.75% due November 9, 2039	6.89	**1,419**	**31**	**1,450**	1,419	31	1,450
		4,261	**39**	**4,300**	4,258	42	4,300
Other							
Freedom Mobile – other	Various	**–**	**–**	**–**	2	–	2
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**–**	**50**	40	–	40
Total consolidated debt		**4,311**	**39**	**4,350**	4,300	42	4,342
Less current portion		**1**	**–**	**1**	2	–	2
		4,310	**39**	**4,349**	4,298	42	4,340

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility. During 2017, the Company amended the terms of the facility to extend the maturity date from December 2019 to December 2021. Funds are available to the Company in both Canadian and US dollars. At August 31, 2018, $2 (2017 – $2) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2018 was nil (2017 – 2.48%). The effective interest rate on the revolving term facility for 2018 was nil (2017 – 3.18%).

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On February 28, 2017, the Company issued $300 senior notes at a rate of 3.80% due March 1, 2027.

On March 2, 2017, the Company repaid $400 5.70% senior notes at their maturity.

Other

Freedom Mobile

Finance lease obligations and amounts owing in connection with financing of certain computer equipment and services matured in 2018.

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

In February 2018, the Partnership refinanced its debt. The Partnership received an additional mortgage loan of $30 and used the proceeds to loan excess funds to each of its partners, of which the Company received $10. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually.

ViaWest

During 2015, ViaWest entered into a credit facility consisting of a term loan in the amount of US $395 and a revolving credit facility of US $85. Commencing August 2015, the term loan had quarterly principal repayments of US $1 with the balance due on maturity in March 2022 while the revolving credit facility matured in March 2020. During 2016, ViaWest entered into an incremental US $80 term loan and increased the borrowing capacity available on the revolving facility by US $35. The incremental term loan had quarterly principal repayments commencing May 2016 with the balance due on maturity in March 2022. Interest rates fluctuated with LIBOR, US prime and US Federal Funds rates and the facilities were secured by a first priority security interest in specific assets pursuant to the terms of the security agreement.

ViaWest finance lease obligations and amounts owing to landlords in connection with financing of leasehold improvements had various expiry and maturity dates through to 2023. Collateral was provided as security for the related transactions and agreements as required.

Both the ViaWest credit facility and other obligations were divested in connection with the sale of ViaWest in August 2017.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2018.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2019	1
2020	1,251
2021	801
2022	1
2023	1
Thereafter	2,295
	4,350

Interest expense

	2018 $	2017 $
Interest expense – long-term debt	**245**	262
Amortization of senior notes discounts	**1**	1
Interest income – short-term (net)	**(6)**	(3)
Capitalized interest	**–**	(2)
Interest expense – other	**8**	9
	248	267

15. OTHER LONG-TERM LIABILITIES

	2018 $	2017 $
Pension liabilities (note 27)	**10**	99
Post retirement liabilities (note 27)	**3**	5
Other	**–**	10
	13	114

16. DEFERRED CREDITS

	2018 $	2017 $
IRU prepayments	**411**	423
Equipment revenue	**29**	44
Connection fee and installation revenue	**18**	20
Deposit on future fibre sale	**2**	2
Other	**–**	1
	460	490

Amortization of deferred credits for 2018 amounted to $55 (2017 – $79) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2018 amounted to $13 (2017 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2018 amounted to $29 (2017 – $52), of which $nil (2017 – $14) is included in the results for discontinued operations. Amortization of connection fee and installation revenue for 2018 amounted to $13 (2017 – $14) and was recorded as revenue.

17. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2018	2017		2018 $	2017 $
Number of securities				
22,420,064	22,420,064	Class A Shares	**2**	2
484,194,344	474,350,861	Class B Non-Voting Shares	**4,054**	3,795
10,012,393	10,012,393	Series A Preferred Shares	**245**	245
1,987,607	1,987,607	Series B Preferred Shares	**48**	48
518,614,408	508,770,925		**4,349**	4,090

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2018 and 2017 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2016	22,420,064	2	463,827,512	3,504
Stock option exercises	–	–	3,256,981	93
Dividend reinvestment plan	–	–	7,266,368	198
August 31, 2017	22,420,064	2	474,350,861	3,795
Stock option exercises	**–**	**–**	**1,854,594**	**48**
Dividend reinvestment plan	**–**	**–**	**7,988,889**	**211**
August 31, 2018	**22,420,064**	**2**	**484,194,344**	**4,054**

Series A and B Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A (“Series A Preferred Shares”) and Series B (“Series B Preferred Shares”) represent series of class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company’s option and payment of dividends is at the Company’s discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

18. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2018 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 52,000,000. As at August 31, 2018, 37,571,214 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2018		2017	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**10,158,005**	**24.45**	11,353,136	23.70
Granted	**2,790,000**	**27.17**	2,923,000	26.89
Forfeited	**(1,714,445)**	**26.45**	(861,150)	25.82
Exercised [1]	**(1,854,594)**	**23.05**	(3,256,981)	23.72
Outstanding, end of year	**9,378,966**	**25.18**	10,158,005	24.45

[1] The weighted average Class B Non-Voting Share price for the options exercised was $27.87.

The following table summarizes information about the options outstanding at August 31, 2018:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$18.79 - $20.80	1,497,200	1.22	19.56	1,497,200	19.56
$20.81 - $24.21	1,667,417	6.04	23.36	952,117	23.08
$24.22 - $26.22	1,212,764	7.51	25.25	533,164	25.00
$26.23 - $27.19	1,943,630	8.33	26.46	439,430	26.55
$27.20 - $30.87	3,057,955	7.84	28.08	924,105	28.16

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2018 was $2.11 (2017 – $1.83) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2018	2017
Dividend yield	**4.37%**	4.41%
Risk-free interest rate	**1.88%**	0.94%
Expected life of options	**6 years**	6 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**16.30%**	16.80%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Restricted stock unit plan

The Company has an RSU plan for its officers and employees. An RSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout upon vesting. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with RSUs equal to the dividend. RSUs do not have voting rights as there are no shares underlying the plan.

During 2018, $3 was recognized as compensation expense (2017 – $2). The carrying value and intrinsic value of RSUs at August 31, 2018 was $3 and $3, respectively (August 31, 2017 – $2 and $2, respectively).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2018, $2 was recognized as compensation expense (2017 – $4). The carrying value and intrinsic value of DSUs at August 31, 2018 was $24 and $20, respectively (August 31, 2017 – $22 and $19, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions, increasing to 33% once an employee reaches 10 years of continuous service.

During 2018, $7 was recorded as compensation expense (2017 – $7).

Share appreciation rights

A subsidiary of the Company, that was included in the disposition of ViaWest in the previous year, granted share appreciation rights ("SAR") to eligible employees of ViaWest. A SAR entitled the holder to the appreciation in value of one share of ViaWest over the exercise price over a period of time. SARs granted to ViaWest employees post-acquisition vested 25% per year over four years, had a 10 year contractual term and were cash settled. During 2018, $nil was recognized as compensation expense (2017 – $1) and recorded in the results of discontinued operations. The carrying value of SARs liabilities, including the SARs granted as partial consideration for the acquisition of ViaWest, at August 31, 2018 was $nil (2017 – $nil) as ViaWest was divested on August 1, 2017.

19. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2018	2017
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**66**	557
Deduct: dividends on Preferred Shares	**(8)**	(8)
Net income attributable to common shareholders from continuing operations	**58**	549
Net income from discontinued operations attributable to common shareholders	**(6)**	294
Net income attributable to common shareholders	**52**	843
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**502**	491
Effect of dilutive securities (1)	**1**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**503**	492
Basic earnings per share ($)		
Continuing operations	**0.11**	1.12
Discontinued operations	**(0.01)**	0.60
Attributable to common shareholders	**0.10**	1.72
Diluted earnings per share ($)		
Continuing operations	**0.11**	1.11
Discontinued operations	**(0.01)**	0.60
Attributable to common shareholders	**0.10**	1.71

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2018, 4,263,940 options were excluded from the diluted earnings per share calculation (2017 – 2,138,047).

20. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada and, effective December 16, 2016, the United States, to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. Class B Non-Voting Shares distributed under the Company's DRIP are new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2018 and 2017 are as follows:

2018		2017	
Class A Voting Share	Class B Non-Voting Share	Class A Voting Share	Class B Non-Voting Share
1.1825	1.1850	1.1825	1.1850

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2018 and 2017 are as follows:

2018		2017	
Series A Preferred Share	**Series B Preferred Share**	**Series A Preferred Share**	**Series B Preferred Share**
0.6978	0.7553	0.6978	0.6269

On June 28, 2018, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.20625 per Series B Preferred Share which were paid on October 1, 2018. The total amount paid was $2 of which $1 was not recognized as at August 31, 2018.

On October 25, 2018, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 28, 2018, January 30, 2019 and February 27, 2019 to shareholders of record at the close of business on December 14, 2018, January 15, 2019 and February 15, 2019, respectively.

On October 25, 2018, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.21931 per Series B Preferred Share payable on December 31, 2018 to holders of record at the close of business on December 14, 2018.

21. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	7	(2)	5
Adjustment for hedged items recognized in the period	4	(1)	3
Share of other comprehensive income of associates	10	–	10
	21	(3)	18
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	101	(27)	74
	122	(30)	92

Components of other comprehensive loss and the related income tax effects for 2017 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	(9)	2	(7)
Adjustment for hedged items recognized in the period	(3)	1	(2)
Share of other comprehensive income of associates	13	–	13
Discontinued operations:			
Exchange differences on translation of a foreign operation	(50)	–	(50)
Exchange differences on translation of US denominated debt hedging a foreign operation	24	–	24
Reclassification of accumulated exchange differences to income related to the sale of a foreign operation	(82)	–	(82)
	(107)	3	(104)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	34	(9)	25
	(73)	(6)	(79)

Accumulated other comprehensive loss is comprised of the following:

	2018 $	2017 $
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**–**	(8)
Share of other comprehensive income of associates	**18**	8
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(57)**	(131)
	(39)	(131)

22. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2018 $	2017 $
Employee salaries and benefits [1]	**1,176**	859
Purchases of goods and services	**2,420**	2,080
	3,596	2,939

(1) Employee salaries and benefits include $423 (2017 – $54) in employee-related restructuring costs.

23. OTHER GAINS (LOSSES)

	2018 $	2017 $
Realized and unrealized foreign exchange gains	**1**	12
Investment write-downs	**–**	(82)
Gain/(loss) on disposal of fixed assets	**15**	(2)
Other	**13**	7
	29	(65)

Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the prior year, the category also includes a write-down of $82 in respect of the Company's investment in shomi which announced a wind down of operations in September 2016.

24. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2018 $	2017 $
Deferred tax assets	**4**	4
Deferred tax liabilities	**(1,894)**	(1,858)
Net deferred tax liability	**(1,890)**	(1,854)

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licences, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at September 1, 2016	(283)	(1,841)	56	120	40	(1,908)
Recognized in statement of income	13	(25)	(17)	(1)	(9)	(39)
Recognized in discontinued operations	–	8	–	2	(6)	4
Recognized on ViaWest divestiture	5	168	–	(76)	(8)	89
Recognized in other comprehensive income:						
Foreign currency translation adjustments	–	10	–	(4)	–	6
Actuarial gains/losses	–	–	–	–	(6)	(6)
Balance at August 31, 2017	(265)	(1,680)	39	41	11	(1,854)
Recognized in statement of income	**(25)**	**(53)**	**(10)**	**–**	**82**	**(6)**
Recognized in other comprehensive income:						
Actuarial gains/losses	**–**	**–**	**–**	**–**	**(30)**	**(30)**
Balance at August 31, 2018	**(290)**	**(1,733)**	**29**	**41**	**63**	**(1,890)**

The Company has capital loss carryforwards of approximately $15 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $593 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2038.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2018 $	2017 $
Current statutory income tax rate	**26.8%**	26.7%
Income tax expense at current statutory rates	**56**	197
Net increase (decrease) in taxes resulting from:		
Effect of tax rate changes	**28**	(5)
Equity (income) loss of an associate not recognized	**54**	(20)
Other	**5**	9
Income tax expense	**143**	181

The statutory income tax rate for the Company increased from 26.7% in 2017 to 26.8% in 2018 as a result of provincial tax rate changes.

The components of income tax expense are as follows:

	2018 $	2017 $
Current income tax expense	**137**	142
Deferred tax expense (recovery) related to temporary differences	**(22)**	44
Deferred tax expense (recovery) from tax rate changes	**28**	(5)
Income tax expense	**143**	181

25. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, President and Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. As a result of the restructuring undertaken in 2017, the Company reorganized and integrated its management structure, previously separated in the Consumer and Business Network Services segments, into a combined Wireline segment, as costs were becoming increasingly inseparable between these segments. There was no change to the Wireless operating segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

The previously reported Business Infrastructure Services segment was comprised primarily of the ViaWest operations and as a result, the majority of this segment is now reported in discontinued operations. The remaining operations and their results are now included within the Wireline segment.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

	2018 $	2017 $
Revenue		
Wireline	**4,292**	4,280
Wireless		
Service	**595**	482
Equipment	**356**	123
	951	605
	5,243	4,885
Intersegment eliminations	**(4)**	(3)
	5,239	4,882
Operating income before restructuring costs and amortization		
Wireline	**1,913**	1,864
Wireless	**176**	133
	2,089	1,997
Restructuring costs [(1)]	**(446)**	(54)
Amortization [(1)]	**(1,012)**	(944)
Operating income	**631**	999
Interest [(1)]		
Operating	**247**	265
Other/non-operating	**1**	2
	248	267
Current taxes [(1)]		
Operating	**166**	174
Other/non-operating	**(29)**	(32)
	137	142

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

Capital expenditures

	2018 $	2017 $
Capital expenditures accrual basis		
Wireline	**970**	890
Wireless	**343**	255
	1,313	1,145
Equipment costs (net of revenue)		
Wireline	**54**	80
Capital expenditures and equipment costs (net)		
Wireline	**1,024**	970
Wireless	**343**	255
	1,367	1,225
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**1,127**	999
Additions to equipment costs (net)	**49**	73
Additions to other intangibles	**131**	111
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,307**	1,183
Increase (decrease) in working capital and other liabilities related to capital expenditures	**65**	35
Decrease in customer equipment financing receivables	**4**	7
Less: Proceeds on disposal of property, plant and equipment	**(9)**	–
Total capital expenditures and equipment costs (net) reported by segments	**1,367**	1,225

26. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and licence fees for each transponder from the time the satellite becomes operational for a period of 15 years.

(ii) The Company has various long-term operating commitments as follows:

	$
2019	579
2020 – 2023	783
Thereafter	238
	1,600

Comprised of:	$
Lease of transmission facilities, circuits and premises	604
Lease and maintenance of transponders	351
Purchase obligations	645
	1,600

Included in operating, general and administrative expenses are transponder maintenance expenses of $84 (2017 – $78) and rental expenses of $153 (2017 – $183), of which $nil (2017 – $26) has been recorded in the results of discontinued operations.

(iii) At August 31, 2018, the Company had capital expenditure commitments in the normal course of business of $220 in respect of fiscal 2019 and 2020.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2018, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2018, the guarantee instruments amounted to $5. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2019 and fiscal 2020.

27. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $32 (2017 – $35) of which $21 (2017 – $23) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2018 $	2017 $
Non-registered plans		
Accrued benefit obligation	**446**	532
Fair value of plan assets	**436**	433
Accrued benefit liabilities and deficit	**10**	99

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficit. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To minimize some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2018 Total $	SERP $	ERP $	2017 Total $
Accrued benefit obligation, beginning of year	**518**	**14**	**532**	553	10	563
Current service cost	**6**	**8**	**14**	7	4	11
Interest cost	**17**	**1**	**18**	19	–	19
Payment of benefits to employees	**(18)**	**(7)**	**(25)**	(20)	–	(20)
Transfer from DC plan	**–**	**3**	**3**			
Remeasurements:						
Effect of changes in demographic assumptions	**(5)**	**–**	**(5)**	(2)	–	(2)
Effect of changes in financial assumptions	**–**	**–**	**–**	(41)	–	(41)
Effect of experience adjustments [1]	**(89)**	**(2)**	**(91)**	2	–	2
Accrued benefit obligation, end of year	**429**	**17**	**446**	518	14	532
Fair value of plan assets, beginning of year	**420**	**13**	**433**	432	6	438
Employer contributions	**–**	**5**	**5**	–	7	7
Interest income	**15**	**1**	**16**	16	–	16
Transfer from DC plan	**–**	**3**	**3**			
Payment of benefits	**(18)**	**(7)**	**(25)**	(20)	–	(20)
Return on plan assets, excluding interest income	**4**	**–**	**4**	(8)	–	(8)
Fair value of plan assets, end of year	**421**	**15**	**436**	420	13	433
Accrued benefit liability and plan deficit, end of year	**8**	**2**	**10**	98	1	99

(1) In the second quarter of the fiscal year, a remeasurement related to the effect of experience adjustments of $85 was recognized to reflect the decrease in the accrued benefit obligation due to demographic experience in the quarter.

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2018 is 16.1 years and 21.5 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2018 are invested in the following:

	SERP $	ERP $
Cash and cash equivalents	**213**	**13**
Fixed income securities	**78**	**1**
Equity securities – Canadian	**41**	**–**
Equity securities – Foreign	**89**	**1**
	421	**15**

All fixed income and equity securities have a quoted price in active market.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2018 SERP %	2018 ERP %	2017 SERP %	2017 ERP %
Discount rate	**3.70**	**3.70**	3.70	3.70
Rate of compensation increase	**3.00**[1]	**3.00**	3.00[1]	3.00

Benefit cost for the year	2018 SERP %	2018 ERP %	2017 SERP %	2017 ERP %
Discount rate	**3.70**	**3.70**	3.50	3.50
Rate of compensation increase	**3.00**[(1)]	**3.00**	5.00[(1)]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2018 by $73. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $12.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP $	ERP $	2018 Total $	SERP $	ERP $	2017 Total $
Current service cost	**6**	**8**	**14**	7	4	11
Interest cost	**17**	**1**	**18**	19	–	19
Interest income	**(15)**	**(1)**	**(16)**	(16)	–	(16)
Pension expense	**8**	**8**	**16**	10	4	14

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2018 $	2017 $
Accrued benefit obligation and plan deficit, beginning of year	**4**	4
Current service cost	**–**	–
Interest cost	**–**	–
Payment of benefits to employees	**–**	–
Remeasurements:		
Effect of changes in demographic assumptions	**(1)**	–
Accrued benefit obligation and plan deficit, end of year	**3**	4

The weighted average duration of the benefit obligation at August 31, 2018 is 17.0 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $nil (2017 – $nil) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2018 were 3.80% and 3.70%, respectively (2017 – 3.60% and 3.80%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2018 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2019 is $1.

28. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by the Shaw Family Living Trust ("SFLT"). The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Bradley S. Shaw, four other members of his family, and one independent director. JR Shaw and members of his family are represented as Directors, Senior Executive and Corporate Officers of the Company.

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada.

	Ownership Interest	
	August 31, 2018	**August 31, 2017**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Cablesystems (VCI) Ltd.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Freedom Mobile Inc.	**100%**	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2018 $	**2017 $**
Short-term employee benefits	**25**	31
Post-employment pension benefits	**8**	9
Termination benefits	**7**	–
Share-based compensation	**4**	5
	44	45

Transactions

The Company paid $2 (2017 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $12 (2017 – $11) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $26 (2017 – $20) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2018, the Company had $4 owing in respect of these transactions (2017 – $4).

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $133 (2017 – $135), advertising fees of $4 (2017 – $8), programming fees of $2 (2017 – $1), and administrative fees of $2 (2017 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $5 (2017 – $7), uplink of television signals for $8 (2017 – $8), and Internet services and lease of circuits for $1 (2017 – $1). At August 31, 2018, the Company had a net of $13 owing in respect of these transactions (2017 – $24).

The Company provided Corus with advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $12 (2017 – $13) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2018, the Company had a remaining commitment of $64 in respect of the office space lease which is included in the amounts disclosed in note 26.

29. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of an investment in a publicly traded company and long-term debt are as follows:

	August 31, 2018		August 31, 2017	
	Carrying value $	Estimated fair value $	Carrying value $	Estimated fair value $
Assets				
Investment in publicly traded company (1)	**615**	**298**	897	1,109
Liabilities				
Long-term debt (2)	**4,311**	**4,788**	4,300	4,901

(1) Level 1 fair value – determined by quoted market prices.
(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2018, the Company entered into forward contracts to purchase US $182 over a period of 24 months commencing in September 2017 at an average exchange rate of 1.3031 Cdn. At August 31, 2018 the Company had forward contracts to purchase US $96 over a period of 12 months commencing September 2018 at an average exchange rate of 1.2915 Cdn in respect of US dollar commitments.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in Note 14.

Interest on the Company's unsecured banking facility is based on floating rates, while the senior notes are fixed-rate obligations. The Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2018, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $9 net of tax (2017 – $17). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates. As at August 31, 2018 there is no significant market risk arising from interest rate fluctuations within a reasonably contemplated range from their actual amounts.

At August 31, 2018, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 in respect of the Company's DSU and RSU plans.

Credit risk

Accounts receivable in respect of the Consumer, Business and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2018, the Company had accounts receivable of $255 (August 31, 2017 – $286), net of the allowance for doubtful accounts of $57 (August 31, 2017 – $48). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2018, $123 (August 31, 2017 – $94) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2018 are as follows:

	Short-term borrowings $	Accounts payable and accrued liabilities[(1)] $	Long-term debt repayable at maturity $	Interest payments $
Within one year	40	971	1	241
1 to 3 years	–	–	2,052	322
3 to 5 years	–	–	2	266
Over 5 years	–	–	2,295	1,636
	40	971	4,350	2,465

(1) Includes accrued interest and dividends of $227.

30. CONSOLIDATED STATEMENTS OF CASH FLOWS

Additional disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	2018 $	2017 $
Net income from continuing operations	**66**	557
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**1,015**	946
Deferred income tax recovery	**6**	39
Share-based compensation	**3**	3
Defined benefit pension plans	**11**	8
Accretion of long-term liabilities and provisions	**(5)**	(1)
Equity (income) loss of an associate or joint venture	**200**	(73)
Provision for investment loss	**–**	82
Other	**(37)**	(31)
Funds flow from continuing operations	**1,259**	1,530

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	2018 $	2017 $
Interest paid	**239**	271
Income taxes paid (net of refunds)	**155**	220
Interest received	**4**	3

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2018 $	2017 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan (note 20)	**211**	198

31. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), short-term borrowings and bank indebtedness less cash and cash equivalents.

	2018 $	2017 $
Cash	**(384)**	(507)
Short-term borrowings	**40**	–
Long-term debt repayable at maturity	**4,350**	4,342
Share capital	**4,349**	4,090
Contributed surplus	**27**	30
Retained earnings	**1,619**	2,164
	10,001	10,119

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2018, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

32. SUBSEQUENT EVENTS

On November 2, 2018 the Company issued $1 billion of senior notes, comprised of $500 million principal amount of 3.80% senior notes due 2023 and $500 million principal amount of 4.40% senior notes due 2028. Estimated net proceeds (after issuance at a discount of $1.4 million and issue and underwriting expenses) of $994 million will be used for general corporate purposes, which may include the repayment of outstanding indebtedness of the Company. Pending any such use of net proceeds, the Company may invest the net proceeds in bank deposits and short-term marketable securities.

On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023.

Corporate Information

DIRECTORS

JR Shaw[4]
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette
Corporate Director

Adrian L. Burns[3] [4]
Corporate Director

Christy Clark
Corporate Director

Dr. Richard R. Green[1]
Corporate Director

Dr. Lynda Haverstock[2]
Corporate Director

Gregory John Keating[2]
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien[1] [4]
Corporate Director

Paul K. Pew[3] [4]
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer[1]
Private Investor

Bradley S. Shaw[4]
Chief Executive Officer
Shaw Communications Inc.

Mike Sievert
President, Chief Operating Officer
and Director of T-Mobile

JC Sparkman[2] [4]
Corporate Director

Carl E. Vogel[3]
Private Investor; Senior Advisor to
DISH Network

Sheila C. Weatherill[3]
Corporate Director

Willard (Bill) H. Yuill[2]
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

JR Shaw
Executive Chair

Bradley S. Shaw
Chief Executive Officer

Jay Mehr
President

Trevor English
Executive Vice President, Chief
Financial & Corporate
Development Officer

Peter Johnson
Executive Vice President, Chief
Legal and Regulatory Officer

Dan Markou
Executive Vice President, Chief
People and Culture Officer

Zoran Stakic
Chief Operating Officer & Chief
Technology Officer

Katherine Emberly
President, Business, Brand
Marketing & Communications

Paul McAleese
President, Wireless

Janice Davis
Executive Vice President, Business
Transformation

CORPORATE OFFICE

Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: *www.shaw.ca*

CORPORATE GOVERNANCE

Information concerning Shaw's corporate governance policies is contained in the Information Circular and is also available on Shaw's website, *www.shaw.ca.*

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, *www.shaw.ca.*

INTERNET HOME PAGE

Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at *www.shaw.ca.*

AUDITORS

Ernst & Young LLP

PRIMARY BANKER

The Toronto-Dominion Bank

TRANSFER AGENTS

AST Trust Company,
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE

Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, Ontario, M5J 2Y1
Phone : 1-800-564-6253

FURTHER INFORMATION

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at *www.shaw.ca* for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email *investor.relations@sjrb.ca.*

Shaw)

This is Exhibit 29 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Shaw
Annual Report 2019

The Annual General Meeting of Shareholders will be held on January 14, 2020 at 11:00 a.m. (Mountain Time) at Shaw Court, 630 – 3rd Avenue SW, Calgary, Alberta.

Dear Fellow Shareholders:

We are pleased with our performance in fiscal 2019 as we delivered solid financial and operating results and we firmly believe we are on a path to generate long-term growth that is beneficial to all of our stakeholders.

In fiscal 2019, we continued to expand our Wireless business, stabilized our Wireline operations, and made considerable progress in managing through our transformation program. Our leadership team and our people were focused on achieving three key objectives critical to our success:

- Grow the number of people and families who use our services,
- Improve our execution and deliver stable Wireline results, and
- Thoughtfully and methodically manage the continuous change throughout our organization.

We are pleased to report significant success on all of these objectives.

Wireless

Over the past year we have built on our reputation as the disruptive wireless competitor by clearly establishing Freedom Mobile as the innovator that champions affordability for Canadians. The combination of an enhanced network experience, innovative packaging and pricing, an expanding footprint, and effective marketing has made Canadians excited about what Freedom Mobile can offer. In fiscal 2019, Freedom Mobile delivered the strongest period of customer growth in its history, despite a dynamic and competitive environment throughout the year, and Wireless revenue surpassed $1 billion.

At the end of fiscal 2019, over 1.6 million Canadians called Freedom Mobile their wireless provider. Notably, the subscriber performance drove Wireless service revenue 23% higher year-over-year to approximately $694 million. In 2019, Freedom Mobile launched its wireless service in 19 new communities in Alberta, British Columbia, and Ontario to cover an additional population of 1.4 million. Today, our wireless service is now available to over 18 million people, or almost half of the Canadian population, living in most of Canada's largest urban centres.

In 2019, we executed our plan to improve our network and deploy spectrum in the most efficient way, including the successful acquisition of 600 MHz spectrum across our Wireless operating footprint. Throughout the year, we made significant enhancements to our customer experience with the deployment of our Extended Range LTE, leveraging our 700 MHz spectrum to provide customers with improved in-building service – a key driver of the significant 22-basis point year-over-year improvement in postpaid churn to 1.32%. At the end of fiscal 2019, approximately 70% of this build is complete in Western Canada, with the remaining deployment of our 700 MHz spectrum expected to continue throughout fiscal 2020.

We are committed to building on the foundation that we have created over the past number of years by continuing to disrupt the wireless marketplace, deliver better value, and enhance our customers' experiences.

Wireline

In an industry that remains competitive, we improved our Wireline operations and delivered solid financial results by increasing internet subscribers, focusing on video profitability, and generating efficiency in our operations.

In our Consumer business, our team modernized several components of our operations to better meet the needs of today's customers. Data-based insights help us better understand our customers' preferences and enables us to provide them with the services they want. We are shifting customer interactions to digital platforms and making it easier for them to take advantage of more self-help, self-install and self-service options. At the end of fiscal 2019, 45% of our customers chose to self-install their services, significantly reducing operating costs while increasing customer satisfaction.

We are also capitalizing on our network and technology investments so we can provide customers with the seamless connectivity experience they want today and in the future. Early in fiscal 2019, we capitalized on the strength and breadth of our FibrePlus network and doubled speeds of our top residential and business internet plans. Later, in April, we unveiled Shaw BlueCurve, the latest technology that allows us to deliver more value to our broadband customers with speed, coverage and control enhancements.

Our BlueCurve platform is the foundation of future innovations and represents a clear competitive advantage as we push for better broadband results. We have established a strong position in the marketplace as a technology leader and we delivered improved broadband subscriber performance throughout the year, including 35,000 new internet subscribers. And, with our expanding BlueCurve IPTV service now available in approximately 70% of our Wireline footprint, we're able to work effectively to retain more high-quality video subscribers and lower our cost to serve customers.

Our Business division delivered another year of strong revenue growth, fueled by the continued success of our SmartSuite products with small and medium business customers, as well as additional product launches, including gigabyte Internet speeds. By leveraging the strength of our product offerings and our strong network, Shaw Business is establishing itself as a solid competitor to provide services to businesses of all sizes across Canada.

Looking ahead

We believe 2019 represented a critical milestone in the transformation of our business, building a solid foundation for growing our Wireless, Broadband and Business divisions and driving long-term sustainable free cash flow growth.

Throughout the past year we improved our customers' experiences across both our Wireline and Wireless divisions while removing significant operating and capital costs. We monetized our investment in Corus Entertainment Inc. further solidifying our balance sheet and enabling us to continue our transformation into an agile, lean and digital-first organization that is focused on providing a seamless connectivity experience for our customers now and in the future. Simply put, our operational and financial performances are concrete evidence that, though difficult, we made choices and decisions that will provide positive and meaningful results for the long term.

We have always understood that Canadians want more from their providers, not less. We have demonstrated that we are able to offer the latest technologies and services because we have invested significantly to build and enhance the leading-edge networks that support these services.

Late in the fiscal year, we saw regulators inject a new level of uncertainty with regard to the wholesale rates charged by network-building companies to broadband resellers in Canada. We firmly believe that Canada requires strong facilities-based investment to compete on the global stage, but if network-building companies like Shaw no longer have the opportunity to earn an appropriate return on selling wholesale access to their networks, they will be forced to change their infrastructure investment strategy. As a result, innovation, and the development of new services and technologies, such as 5G, Internet of Things and the fundamentals of artificial intelligence, will diminish, along with the service levels that Canadians have been accustomed to.

Since these regulatory developments, we have found it prudent to alter our plans with respect to launching new higher speed internet tiers and additional wireless expansion beyond our current footprint. Throughout the process, we will work hard to ensure regulators recognize that healthy network-building companies play a critical role in the ability to usher in new technologies while delivering better and faster services for all Canadians.

While there is additional regulatory uncertainty in both the Wireline and Wireless categories, our strategy and ability to execute have us in an enviable position. In the past few years, we have had to be bold in our decision-making and in transforming our business so we could be successful in the future. We are confident in our plan and, most importantly, we are encouraged by our team's ability to work together and execute our growth initiatives.

For five decades we have served our customers with the products and services that have kept them connected to the world around them. In tackling the new challenges ahead, our employees have demonstrated exceptional resilience, creativity and professionalism. Without doubt, all levels of our organization have embraced the imperatives of modernization and provided us with a clean slate to write the next chapters of our story. While the world and the expectations of our customers continue to change, we are pleased to say we have every confidence that the dedication of our 10,000 employees and the strength of our leadership have prepared us well to succeed.

[Signed]	[Signed]
JR Shaw	Bradley S. Shaw
Executive Chair	Chief Executive Officer

Management's Discussion & Analysis

Contents

Forward

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. or, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group. This MD&A is current as at November 27, 2019 and was approved by Shaw's Board of Directors.

Caution Concerning Forward Looking Statements

Statements included in this Management's Discussion and Analysis that are not historic constitute "forward-looking statements" within the meaning of applicable securities laws. They can generally be identified by words such as "anticipate", "believe", "expect", "plan", "intend", "target", "goal" and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements. Forward looking statements in this Management's Discussion and Analysis include, but are not limited to statements relating to:

- future capital expenditures;
- proposed asset acquisitions and dispositions;
- expected cost efficiencies;
- financial guidance and expectations for future performance;
- business and technology strategies and measures to implement strategies;
- the Company's equity investments, joint ventures and partnership arrangements;
- expected growth in subscribers and the services to which they subscribe;
- competitive strengths;
- expected project schedules, regulatory timelines, completion/in-service dates for the Company's capital and other projects;
- expected number of retail outlets;
- timing of new product and service launches;
- expected number of customers using voice over LTE, or VoLTE;
- the deployment of: (i) network infrastructure to improve capacity and coverage and (ii) new technologies, including next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- the cost of acquiring and retaining subscribers and deployment of new services;
- the restructuring charges (related primarily to severance and employee related costs as well as additional costs directly associated with the Company's Total Business Transformation ("TBT") initiative) expected to be incurred in connection with the TBT initiative;
- the anticipated annual cost reductions related to the Voluntary Departure Program ("VDP") (including reductions in operating and capital expenditures) and the timing of realization thereof;
- the impact that the employee exits will have on Shaw's business operations;
- outcome of the TBT initiative, including the timing thereof and the total savings at completion; and
- expansion and growth of Shaw's business and operations and other goals and plans.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this Management's Discussion and Analysis are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. These assumptions, many of which are confidential, include but are not limited to:

- general economic conditions;
- future interest rates;
- previous performance being indicative of future performance;
- future income tax and exchange rates;
- technology deployment;
- subscriber growth;
- incremental costs associated with growth in Wireless handset sales;
- pricing, usage, and churn rates;
- availability of devices;
- content and equipment costs;

- completion of proposed transactions;
- industry structure, conditions and stability;
- government regulation (and its impact or projected impact on the Company's business);
- access to key suppliers and third-party service providers required to execute on its current and long term strategic initiatives on commercially reasonable terms;
- retention of key employees;
- the TBT initiative being completed in a timely and cost-effective manner yielding the expected results and benefits, including: (i) resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw's consumers' needs and expectations (including the products and services offered to its customers) and (ii) realizing the expected cost reductions;
- the Company being able to complete the employee exits pursuant to the VDP with minimal impact on business operations within the anticipated timeframes and for the budgeted amount;
- the cost estimates for any outsourcing requirements and new roles in connection with the VDP;
- the Company can gain access to sufficient retail distribution channels;
- the Company can access the spectrum resources required to execute on its current and long-term strategic initiatives; and
- the integration of acquisitions.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- changes in general economic, market and business conditions;
- changing interest rates, income taxes, and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments, and other changing conditions in the entertainment, information and communications industries;
- changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- changes in the value of the Company's equity investments, joint ventures and partnership arrangements;
- the Company's ability to execute its strategic plans and complete its capital and other projects by the completion date;
- the Company's ability to grow subscribers;
- the Company's ability to close key transactions;
- the Company's ability to have the spectrum resources required to execute on its current and long-term strategic initiatives;
- the Company's ability to gain sufficient access to retail distribution channels;
- the Company's ability to achieve cost efficiencies;
- the Company ability to retain key employees;
- the Company's ability to access key suppliers and third-party service providers required to execute on its current and long term strategic initiatives on commercially reasonable terms;
- the Company's ability to implement the TBT initiative as planned and realize the anticipated benefits therefrom, including: (i) TBT resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw's consumers' needs and expectations (including the products and services offered to its customers) and (ii) the ability to realize the expected cost reductions;
- the Company's ability to complete employee exits pursuant to the VDP with minimal impact on operations;
- technology, privacy, cyber security and reputational risks;
- opportunities that may be presented to and pursued by the Company;
- the Company's ability to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this report under the heading "Known events, trends, risks and uncertainties".

The foregoing is not an exhaustive list of all possible factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

This Management's Discussion and Analysis provides certain future-oriented financial information or financial outlook (as such terms are defined in applicable securities laws), including the financial guidance and assumptions disclosed under "Outlook," the expected annualized savings to be realized from the VDP and the total anticipated TBT restructuring costs for fiscal 2020. Shaw discloses this information because it believes that certain investors, analysts and others utilize this and other forward-looking information to assess Shaw's expected operational and financial performance, and as an indicator of its ability to service debt and pay dividends to shareholders. The Company cautions that such financial information may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward-looking statements contained in this Management's Discussion and Analysis are expressly qualified by this statement.

ABOUT OUR BUSINESS

At Shaw, we are focused on delivering sustainable long-term growth and connecting customers to the world through a best-in-class seamless connectivity experience. After undergoing a period of significant and transformative change, our focus has shifted to driving operational efficiency and executing on our strategic priorities through the delivery of an exceptional customer experience and a more agile operating model. In fiscal 2019, our strategic focus remained unchanged as we believe that we are well positioned with our current set of complementary assets to meet the increasing needs and demands for connectivity by our customers and deliver long-term, sustainable growth.

Wireline

Shaw is one of the largest providers of residential communication services in Canada

Our Consumer division connects people and families in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario through our FibrePlus network

Shaw Direct is one of two licensed satellite Video services available across Canada

Our Business division leverages the same network infrastructure as Consumer with a product suite targeting small and medium-sized businesses

Wireless

Freedom Mobile currently operates in Ontario, Alberta and British Columbia.

Over 18 million Canadians reside within our current mobile wireless network service area

In the following sections we provide selected financial highlights and additional details with respect to our strategy, our Wireline and Wireless divisions, our network and our presence in the communities in which we operate.

Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

Select Financial and Operational Highlights

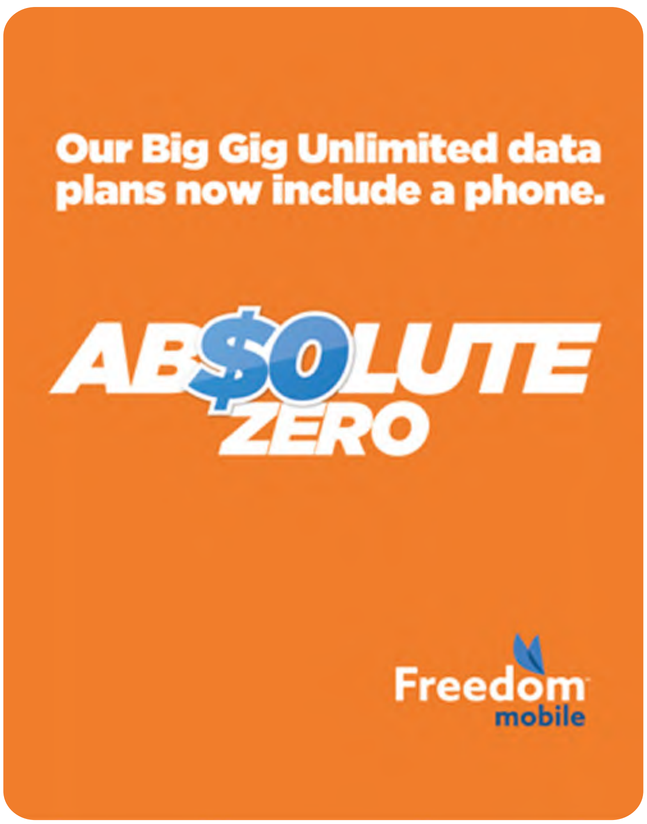
Through an evolving operating and competitive landscape our consolidated business has delivered stable and profitable results in fiscal 2019.

Basis of presentation

On August 1, 2017, the Company sold 100% of its wholly owned subsidiary ViaWest, Inc. and its subsidiaries (collectively, “ViaWest”), previously reported under the Business Infrastructure Services division, to Peak 10 Holding Corporation (“Peak 10”).

On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation within the Company’s Business segment, to Omnitracs Canada. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale for the period ended August 31, 2017.

Accordingly, the operating results and operating cash flows for the previously reported Business Infrastructure Services division and Shaw Tracking business (an operating segment within the Business division) are presented as discontinued operations separate from the Company’s continuing operations. The Business Infrastructure Services division was comprised primarily of ViaWest. The remaining operations of the previously reported Business Infrastructure Services segment and their results are now included within the Business segment. This Management’s Discussion and Analysis (“MD&A”) reflects the results of continuing operations, unless otherwise noted.



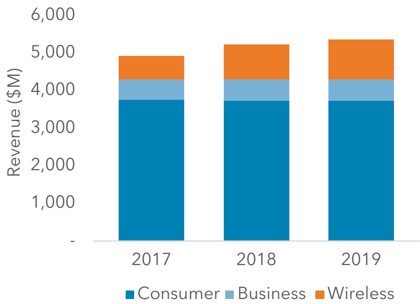
2019 Total Revenue

$5.3 BILLION

20% Wireless

69% Wireline - Consumer

11% Wireline - Business

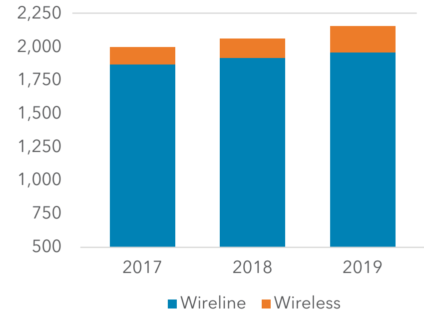


2019 Operating Income Before Restructuring Costs and Amortization

$2.2 BILLION

9% Wireless

91% Wireline



Certain figures included within this annual report have been adjusted to correct an immaterial, inadvertent overstatement of previously reported wireless service revenue for the year ended August 31, 2019 of $7 million.

	Year ended August 31,					
(millions of Canadian dollars except per share amounts)	**2019**	**2018 (restated) [1]**	**Change %**	**2018 (as reported)**	**2017**	**Change %**
Operations:						
Revenue	**5,340**	5,189	2.9	5,239	4,882	7.3
Operating income before restructuring costs and amortization [2]	**2,154**	2,057	4.7	2,089	1,997	4.6
Operating margin [2]	**40.3%**	39.6%	1.8	39.9%	40.9%	(2.5)
Net income from continuing operations	**733**	39	>100.0	66	557	(88.2)
Income (loss) from discontinued operations, net of tax [3]	–	(6)	(100.0)	(6)	294	>(100.0)
Net income	**733**	33	>100.0	60	851	(92.9)
Per share data:						
Basic earnings per share						
Continuing operations	**1.41**	0.06		0.11	1.12	
Discontinued operations	–	(0.01)		(0.01)	0.60	
	1.41	0.05		0.10	1.72	
Diluted earnings per share						
Continuing operations	**1.41**	0.06		0.11	1.11	
Discontinued operations	–	(0.01)		(0.01)	0.60	
	1.41	0.05		0.10	1.71	
Weighted average participating shares outstanding during period (millions)	**511**	502		502	491	
Funds flow from continuing operations [4]	**1,777**	1,177	51.0	1,259	1,530	(17.7)
Free cash flow [2]	**538**	385	39.7	411	438	(6.2)

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. Comparative fiscal 2017 results have not been restated. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

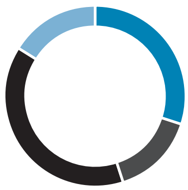
(2) Refer to key performance drivers.

(3) As of the date ViaWest met the criteria to be classified as held for sale, the Company ceased amortization of non-current assets of the division, including property, plant and equipment, intangibles and other. Amortization that would otherwise have been taken in the period ended August 31, 2017, before tax, amounted to $16.

(4) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

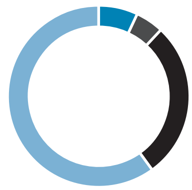
Subscriber highlights:

Wireline – Consumer



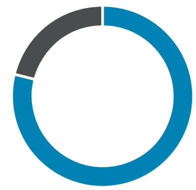
39% Internet
30% Video - Cable
15% Video - Satellite
16% Phone

Wireline – Business



28% Internet
7% Video - Cable
5% Video - Satellite
60% Phone

Wireless



79% Postpaid
21% Prepaid

Subscriber highlights:	August 31, 2019	August 31, 2018	Change
Wireline – Consumer			
Video – Cable	**1,478,371**	1,585,232	**(106,861)**
Video – Satellite	**703,223**	750,403	**(47,180)**
Internet	**1,911,703**	1,876,944	**34,759**
Phone	**767,745**	853,847	**(86,102)**
Total Consumer	**4,861,042**	5,066,426	**(205,384)**
Wireline – Business			
Video – Cable	**41,843**	49,606	**(7,763)**
Video – Satellite	**35,656**	34,831	**825**
Internet	**173,686**	172,859	**827**
Phone	**379,434**	354,912	**24,522**
Total Business	**630,619**	612,208	**18,411**
Total Wireline	**5,491,661**	5,678,634	**(186,973)**
Wireless (1)			
Postpaid	**1,313,828**	1,029,720	**287,929**
Prepaid	**344,357**	373,138	**(21,688)**
Total Wireless	**1,658,185**	1,402,858	**266,241**
Total Subscribers	**7,149,846**	7,081,492	**79,268**

(1) The Company reduced the August 31, 2019 ending balance by 10,914 due to account cancellations dating back to 2016 previously not reported. The cancellations were comprised of 3,821 postpaid and 7,093 prepaid subscribers. In the Company's view, the cancellations were not significant in relation to previously reported amounts.

Our Strategy

At Shaw, we are focused on delivering sustainable long-term growth by connecting customers to the world through a best-in-class seamless connectivity experience by leveraging our world class converged network. After undergoing a period of significant and transformative change, our focus has shifted to driving operational efficiency and executing on our strategic priorities through delivery of an exceptional customer experience and a more agile operating model. In fiscal 2019, our strategic focus remained unchanged as we believe that we are well positioned with our current set of complementary assets to meet our customers' increasing needs and demands for connectivity and deliver long-term, sustainable growth.

Fiscal 2019 was another exciting year of strong performance from our Wireless business. Through thoughtful and strategic investments and spectrum deployment, we have created a stronger, higher quality network that enables us to deliver an improved customer experience. Through our popular Big Gig Unlimited and Absolute Zero Plans, which leverage our continuous network quality improvements and additional points of distribution, we were able to deliver both subscriber growth of over 266,000 (net additions), ABPU improvement of 6.3% (to $41.67) and service revenue growth of approximately 23% (to over $690 million) in the year. Since the acquisition of Freedom Mobile in 2016, our subscriber base has grown by approximately 65% to over 1.65 million subscribers at the end of fiscal 2019, which is a true testament to Freedom Mobile delivering a differentiated and sustainable value proposition to customers.

In fiscal 2019, investment in our wireless network was a top priority and throughout the year, we continued to roll out our 700 MHz spectrum to a significant portion of sites in Calgary, Edmonton, and Vancouver as well as the greater Toronto area ("GTA"). At the end of fiscal 2019, approximately 70% of the build is complete in Western Canada, with the remaining deployment of the 700 MHz expected to continue throughout fiscal 2020. Additionally, through the 600 MHz spectrum auction which concluded in April 2019, we successfully acquired 11 paired blocks of 20-year 600 MHz spectrum across our Wireless footprint. The 600 MHz spectrum will not only enable us to vastly improve our current LTE service but will also serve as a foundational element of our 5G strategy.

In fiscal 2019, we also expanded our wireless network with the launch of 19 new markets in British Columbia, Alberta and Ontario. Our wireless operating footprint now covers over 18 million people, or approximately 50% of the Canadian population, in some of Canada's largest urban centres, as well as many smaller communities throughout British Columbia, Alberta and Ontario.

In our Wireline division, we continued to leverage our broadband network by introducing new and improved services to our residential and business customers that align with our focus on profitable growth and stability. In fiscal 2019, we doubled the speeds of our Internet 150 and 300 to Internet 300 and 600. We also introduced Shaw BlueCurve to our residential customers, through the BlueCurve Gateway, BlueCurve Home App, and BlueCurve Pods (that create a mesh Wi-Fi network that reduces dead spots), as well as an enhanced and more cost-effective customer Video experience through internet protocol television, or IPTV. Both initiatives support our ongoing transformation, specifically the Total Business Transformation ("TBT"), which seeks to shift customer interactions to digital platforms, deploy self-help and self-install programs and streamline the operations that build and service our network. (see "Total Business Transformation"). At the end of fiscal 2019, approximately 45% of our customers elected to self-install their services. As part of this multi-year journey, we will continue to build and transition into a new digital operating service model, improving the customer experience while significantly reducing costs in the Wireline division.

In addition to strengthening the long-term strategic positioning of the Company over the last several fiscal years, we have maintained a strong balance sheet that supported the significant level of investment required for long-term growth while remaining committed to an investment grade credit rating and long-term free cash flow growth that supports our initiatives to return capital to our shareholders.

Total Business Transformation

In the second quarter of fiscal 2018, we introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the evolving needs and expectations of our consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. The three key elements of TBT were to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and, 3) streamline the operations that build and service our networks. As part of the TBT initiative, we have reduced input costs, consolidated functions, and streamlined processes, which led to operational improvements across the business allowing us to evolve into a more efficient organization.

As a first step in the TBT, a voluntary departure package (the "VDP package") was offered to approximately 6,500 eligible employees representing approximately 50% of our total workforce. The outcome of the voluntary departure program, or VDP had approximately 3,300 employees or 25% of our total workforce accepting the VDP package at that time. The Company's execution of the VDP continued in fiscal 2019, resulting in approximately 1,000 employees exiting the Company for a total of approximately 2,300 employees since inception. In fiscal 2019, approximately 90 employees either rescinded their acceptance of the VDP package with the approval of the Company or declined their package in order to expedite their departure date. As of November 15, 2019, approximately 2,700 employees had departed the Company, which represents approximately 84% of the employees that accepted the VDP package. The Company expects to complete the VDP in fiscal 2020.

The anticipated annualized savings that will be achieved in fiscal 2020 through the TBT initiative (specifically VDP savings) are expected to be approximately $200 million (approximately $125 million attributable to operating expenses and approximately $75 million attributable to capital expenditures (i.e. labour costs that can be identified or associated with a capital project)) which is materially in line with the original estimate of $215 million. In fiscal 2019, VDP related cost reductions totaled $135 million of which $98 million were attributed to operating expenses and $37 million attributed to capital expenditures.

In connection with the VDP and various other TBT activities, the Company incurred a total restructuring charge of approximately $446 million in fiscal 2018, primarily related to severance and other employee related costs, as well as additional costs directly associated with the TBT initiative. While the restructuring charge has been recognized in fiscal 2018, the actual timing of employee exits are expected to occur over a 24-month period and payments to employees over a 34-month period due to the ability of the eligible employees to defer VDP payments until the first day of the next calendar year following their departure. As the VDP approaches completion, the total restructuring charge was reduced by $9 million in fiscal 2019 and is now expected to total approximately $437 million due to certain individuals rescinding their acceptance of the VDP package with the approval of the Company or declining their VDP package to expedite their departure date. As of August 31, 2019 and November 15, 2019, approximately $292 million and $325 million, respectively, has been paid with the remaining costs expected to be paid out over the next 16 months.

As of the date of this report, both VDP and TBT remain materially on plan in terms of both total restructuring costs and cost savings with limited operational impact to-date due to successful mitigation strategies and execution of our transformation program, which streamlined the way we work and serve our customers in order to provide sustainable operational efficiencies. See also "Restructuring costs", "Caution Concerning Forward Looking Statements" and "Risks and Uncertainties" for a discussion of the TBT, the VDP and the risks and assumptions associated therewith.

People and Culture

As a leading Canadian connectivity company, we are transforming our culture and making purposeful investments in our people which enables us to deliver on our corporate and operational strategy. Building off a foundation of strong leadership and talent, our commitment to a diverse employee base ensures business decisions are made with our customers' needs at the forefront to create a seamless connectivity experience.

Through various inputs and interactions, as well as listening to our employees through our recurring PeoplePulse surveys, we continue to focus on the following three imperatives to achieve our people and culture objectives:

1) **Talent** – Elevating our people by giving them personalized development tools, skills, and the knowledge they need to succeed today and in the future, as well as proactively future-proofing skill gaps and keeping an eye on emerging talent needs.

2) **Leadership** – Investing in our leaders by enhancing their capabilities to drive performance, support our culture and inspire our people.

3) **Culture** – A key driver to our success and competitive advantage stems from our corporate culture and putting our people first to ensure we deliver on exceptional employee and customer experiences. As well, our commitment to sustainability and our environment ensures we are delivering value in the best ways.

Our employees are the source of everything amazing at Shaw and are committed to delivering an exceptional and seamless connectivity experience for our customers and the communities we serve.

Our World-Class Converged Network

As our customers spend more of their time in the digital environment, they increasingly need and expect an always-on, seamless connectivity experience, which requires multiple integrated technology platforms. With our unique FibrePlus (our hybrid fibre-coax network comprised of fibre and coaxial cable), Wi-Fi and LTE networks, we have the opportunity to continue to innovate in response to changing consumer needs and technological developments. The world of connectivity will change in the coming years as wireline broadband technologies develop, standards for 5G are set, and wireless and wireline platforms converge. We continue to further integrate our wireline and wireless networks in order to realize additional capital expenditure synergies and customer benefits.

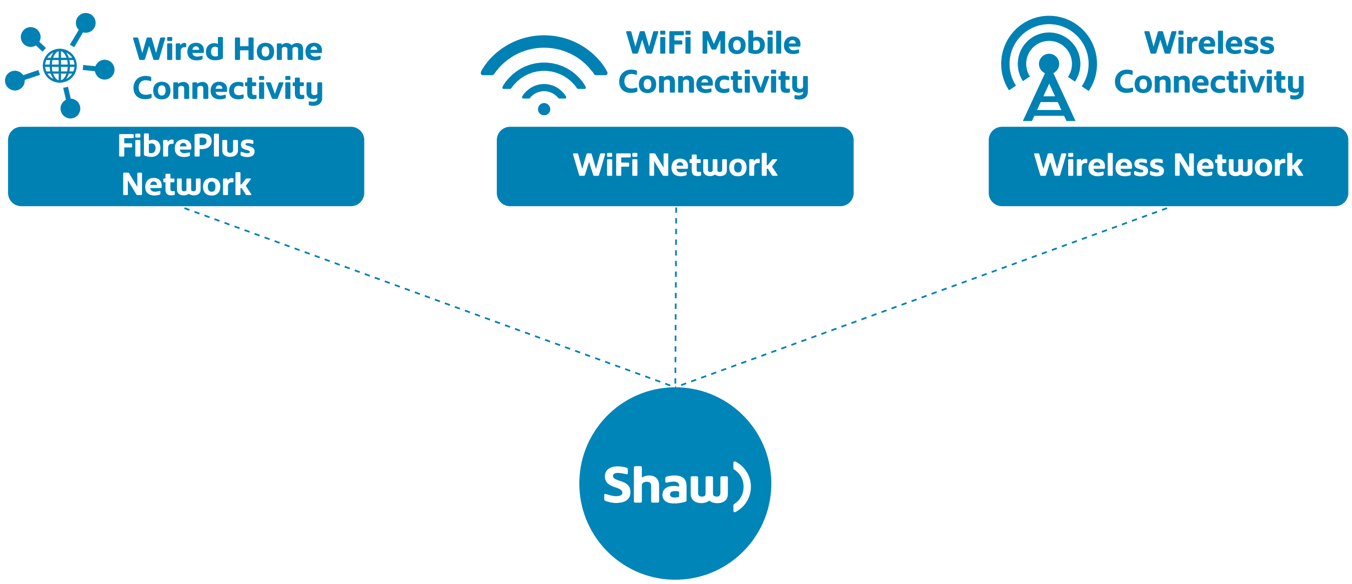
Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must participate in global scale initiatives through partnerships with best-in-class service providers. This ensures that the technology we adopt and invest in is, and continues to be, leading-edge in the global communications industry.

This approach allows us to leverage our current assets, where we have strength and expertise, while also ensuring our capital investments are aligned with industry leaders to support the development, maintenance, and advancement of new technology where it is impractical for us to do so on a standalone basis. This allows us to direct our capital resources and further our commitment to continue the advances in innovation, performance, and reliability of our products and services. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in opportunities on a global scale.

We have a series of significant and strong relationships with global leaders on the following initiatives:

- Shaw BlueCurve, a technology that provides customers with greater control over their home Wi-Fi experience (through the BlueCurve Home App and Pods) and supports IPTV, is powered by the BlueCurve Gateway (XB6) DOCSIS 3.1 advanced Wi-Fi modem developed by Comcast (see discussion under "Consumer")
- the deployment of Freedom Mobile's LTE network, which was designed, planned and deployed by NOKIA, a global leader in mobile wireless technology and solutions (see discussion under "Wireless")
- our "Smart" suite of business services that includes SmartWiFi, SmartSecurity and SmartSurveillance, in collaboration with Cisco's Meraki and SmartVoice, in collaboration with Broadsoft (see discussion under "Business")



WIRELESS

Our Wireless division, through Freedom Mobile, provides wireless voice and data services through an expanding and improving wireless network

WIRELINE - CONSUMER

Our Wireline - Consumer division connects consumers in their homes and on the go with broadband Internet, Shaw Go WiFi, video (including BlueCurve TV) and traditional home phone services

WIRELINE - BUSINESS

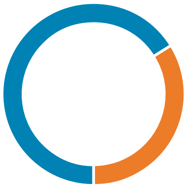
Our Wireline - Business division provides business customers with a full suite of connectivity and managed services, including Internet, data, WiFi and phone, which enables them to focus on building their business

Wireless and Wireline Performance

In fiscal 2019, we continued to make progress on our TBT initiatives by improving the customer experience across both our Wireline and Wireless divisions while, at the same time, removing significant operating and capital costs from the business. Through our focus on execution, we are growing our wireless and broadband customers, identifying sustainable cost savings in our core Wireline business, and making the appropriate investments to capitalize on future growth. The disposal of our entire equity investment in Corus Entertainment Inc. ("Corus") in the year further solidified our balance sheet and allows us to continue our transformation into an agile, lean and digital-first organization that is focused on providing a seamless connectivity experience that meets the needs of its customers now and into the future. With our successful acquisition of 600 MHz spectrum across our wireless operating footprint, we can continue to improve our LTE experience, provide affordable options for our customers, and lay the foundation for 5G services.

WIRELESS

2019 Wireless Revenue

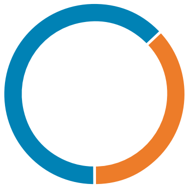


$1,047 MILLION

66% Service

34% Equipment and other

2018 Wireless Revenue



$901 MILLION

63% Service

37% Equipment and other

	2019		2018 (restated) [1]	
(millions of Canadian dollars)	**$**	**Increase**	**$**	**Increase**
Service [2]	**694**	**23.0%**	564	17.0%
Equipment and other	**353**	**4.7%**	337	>100%
Wireless revenue	**1,047**	**16.2%**	901	48.9%
Operating income before restructuring costs and amortization [3]	**199**	**40.1%**	142	6.8%

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. The increase for Fiscal 2018 reflects the change from comparative fiscal 2017 results that have not been restated. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

(2) Certain figures have been adjusted to correct an immaterial, inadvertent overstatement of previously reported wireless service revenue for the year ended August 31, 2019 of $7 million.

(3) Refer to key performance drivers.

Our Wireless division was formed following the acquisition of Freedom Mobile in March 2016. This acquisition transformed Shaw into a leading Canadian connectivity company, adding the critical wireless component to our converged network. Our Wireless division currently operates in Ontario, Alberta and British Columbia, offering the leading alternative for mobile services to the three national wireless incumbent carriers.

Launch of Big Gig Unlimited, Absolute Zero, and Prepaid Plans

In fiscal 2018, Freedom Mobile, by leveraging its AWS-3 LTE Network, launched the Big Gig data plans, targeting a data-centric customer with 10 GB of data for only $50 per month – unlike any other plan offered in Canada at that time. Building off the success of our Big Gig Plans, in fiscal 2019, we launched the Big Gig Unlimited and Absolute Zero campaigns in response to the competitive and dynamic wireless environment. Paired with the most popular devices, and ongoing improvements in the strength and capacity of our network, our Big Gig Unlimited and Absolute Zero plans, continue to disrupt the wireless market by providing Canadians with a better, more affordable option when choosing a wireless service provider.

Freedom Mobile customers can either bring their own device to the network or participate in one of Freedom Mobile's discretionary wireless handset discount plans – MyTab, MyTab Boost, and Absolute Zero. MyTab allows Freedom Mobile customers to pay a discounted price for a handset upfront with no predetermined monthly incremental charge. My Tab Boost allows Freedom Mobile customers to receive a further reduction on the upfront payment for a handset which could be as low as $0 if they pay a predetermined incremental amount on a monthly basis. The Absolute Zero plan allows Freedom Mobile customers to receive an eligible handset for $0, with no predetermined incremental amount payable each month, with a two-year standard commitment.

In the third quarter of fiscal 2019, Freedom Mobile introduced new prepaid service plans that better aligned with current market offers which resulted in a significant year-over-year improvement in prepaid market performance.

Distribution Network

During fiscal 2018, we expanded our retail network by entering into distribution agreements with Loblaws and Walmart. Freedom Mobile products and services are currently being distributed in approximately 100 Loblaws' "The Mobile Shop" locations and approximately 140 Walmart locations throughout Ontario, Alberta and British Columbia. In fiscal 2019, Freedom Mobile remodeled its most prominent corporate branded stores and finalized an agreement with a third national retail partner, Mobilinq, to launch prepaid services in approximately 50 of its stores. When combined with our existing corporate and dealer store network, Freedom Mobile ended fiscal 2019 with over 650 retail distribution locations.

Network Upgrades

Supporting our subscriber and revenue growth, and our improved Wireless postpaid churn results, are the significant investments in our network and customer service capabilities. In fiscal 2019, we continued to deploy our Extended Range LTE network in Calgary, Edmonton, Vancouver, and the GTA, which leverages our 700 MHz spectrum, to provide customers with improved in-building coverage as well as extending service at the edge of the current area. At the end of fiscal 2019, approximately 70% of the build is complete in Western Canada, with the remaining deployment of our 700 MHz spectrum expected to continue throughout 2020. In fiscal 2019, Freedom Mobile also migrated its core network to the CloudBand Infrastructure Software platform, which is the latest generation of cloud core architecture from Nokia and a key building block of 5G. With our successful acquisition of the 600 MHz spectrum across our entire wireless operating footprint, we will continue to improve our network experience and provide affordable options for our customers.

5G Technical Trials

In fiscal 2019, we completed extensive 5G pre-commercial trials in the 3.5 GHz and 28 GHz frequency bands in collaboration with Nokia, NovApex Technologies, Keysight Technologies and PCTEL. The trials were conducted at three Freedom Mobile cell sites in suburban Calgary and included both stationary and mobile driving testing.

- The 28 GHz spectrum band testing demonstrated speeds of up to 2.1 Gbps were possible with pre-commercial user devices which could potentially enable a new range of applications including augmented and virtual reality. However, as expected, the results showed that mobile coverage was generally limited to 100–300m from the cell site which makes the 28 GHz spectrum band best suited for hot spot areas with high user density (e.g. outdoor plazas, stadiums, and shopping areas).

- Conversely, stationary and drive test results at the 3.5 GHz spectrum band indicate that seamless mobile coverage is possible using existing sites with download speeds of up to 340 Mbps.
- Performance testing results also showed that significant reductions in latency were possible with 5G with median round trip latencies of 8.5 milliseconds measured at 28 GHz spectrum band, which is approximately ¼ of the time on existing LTE networks.

Both the 3.5 GHz and 28 GHz frequency bands are planned to be auctioned by Innovation, Science and Economic Development ("ISED") in 2020 and 2021, respectively. We are currently conducting additional pre-commercial 5G trials in fiscal 2020 in two key areas: (1) 5G backhaul over DOCSIS, and (2) 5G in the 600 MHz frequency band. Backhauling 5G traffic over DOCSIS offers the prospect of significantly reducing the time and cost to deploy 5G networks. 5G in the 600 MHz frequency band offers lower latency, improved device connectivity, and higher speeds compared to LTE.

Subscriber and ABPU Growth

In fiscal 2019, our Wireless division delivered strong, high quality subscriber growth while continuing to improve operating margins and lower churn. Over 18 million Canadians or 50% of the Canadian population reside within our current mobile wireless network service area. Our Wireless division's customer base continues to grow, with over 1.65 million customers, including over 266,000 net new customers added in fiscal 2019. The growth of Freedom Mobile's subscriber base was complemented, on an annual basis, by an ABPU improvement of 6.3% (to $41.67) over fiscal 2018, reflecting the increased number of customers subscribing to higher value plans and purchasing devices through Freedom Mobile.

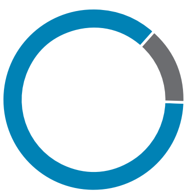
Since the acquisition of Freedom Mobile, we have made significant investments and improvements to scale the business. We have firmly established Freedom Mobile as the industry innovator and recognized champion of wireless affordability for Canadians. Through years of thoughtful and strategic capital investing, we are expanding and improving our facilities-based wireless network that is capable of meeting the evolving needs of our customers. We are excited by the growth potential of the Wireless business, and, as shown by our results this year, we are committed to delivering a strong and competitive wireless alternative that will benefit all Canadians.

Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of Wireless competitive activity as a result of back to school and holiday season-related consumer behaviour. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireless business does not depend on any single customer or concentration of customers.

1 Assumes Canadian population of 35 million (https://www.statcan.gc.ca/pub/12-581-x/2017000/pop-eng.htm).

WIRELINE

2019 Wireline Revenue

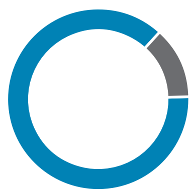


$4.3 BILLION

86% Consumer

14% Business

2018 Wireline Revenue



$4.3 BILLION

87% Consumer

13% Business

	2019		2018 (restated) [(1)]	
(millions of Canadian dollars)	$	Increase / (Decrease)	$	Increase / (Decrease)
Consumer	3,707	(0.5)%	3,725	(0.6)%
Business	593	4.6%	567	6.4%
Wireline revenue	4,300	0.2%	4,292	0.3%
Operating income before restructuring costs and amortization [(2)]	1,955	2.1%	1,915	2.7%

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. The increase/(decrease) for Fiscal 2018 reflects the change from comparative fiscal 2017 results that have not been restated. Refer to “New Accounting Standards” for additional details on the changes for fiscal 2018.

(2) Refer to key performance drivers.

In our Wireline business, we have cemented our status as a technology leader with our BlueCurve and SmartSuite products. Through our digital transformation, we have made it easier to interact with our customers and are leveraging insights from customer data to better understand their preferences so we can provide them with the services they want. We are shifting customer interactions to digital platforms and driving more self-help, self-install and self-service. At the end of fiscal 2019, 45% of our customers elected to self-install their services. We continue to streamline and simplify manual processes that improve the customer experience and day-to-day operations for our employees. This focus has played an instrumental role in executing our overall VDP, which is approximately 84% complete as at November 15, 2019.

Our focus remains on the execution and delivery of stable and profitable Wireline results. This includes growing Internet subscribers, primarily through two-year ValuePlans, and attracting and retaining high quality Video subscribers which support our Consumer profitability objectives.

Our Consumer division provides residential customers with leading connectivity experiences on two platforms.

- **Wireline Services** – we provide broadband Internet, Shaw Go WiFi, Video, and Phone services to customers that are connected to our local and regional FibrePlus network in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario
- **Satellite Services** – we provide Video by satellite to customers across Canada

Wireline Internet, Video and Phone Services

Shaw is one of the largest providers of residential communications services in Canada. Our Consumer division connects our customers in British Columbia, Alberta, Saskatchewan, Manitoba and Northern Ontario through our FibrePlus network with broadband Internet, Shaw Go WiFi, Video, and Phone services to meet their needs at home and on the go.

As our customers' needs evolve, we continue to focus on innovative value-added service offerings. Our customer-centric strategy is designed to deliver a quality service experience, value and choice for our customers.

Leveraging our strategic partnership with Comcast, we continued to roll-out an advanced series of technologies catered to serve an increasingly connected Canadian population beginning with Shaw BlueCurve, our next generation technology which features the BlueCurve Gateway, BlueCurve Home App, BlueCurve Pods, BlueCurve TV, and BlueCurve TV App. In connection with the BlueCurve launch, we introduced a new brand advertising platform representing our shift to a modern Shaw. Wrapped under the campaign line "You Got It", our BlueCurve platform puts our customers at the centre of it all – by showcasing the way our products and services fuel their connected lives.

Internet

As a leading Canadian connectivity company, we believe that the Internet plays a fundamental role in connecting our customers to the world and everything in it. We recognize the importance of providing reliable, affordable and worry-free connectivity to meet the ever-increasing appetite of our customers for discovery, social connectivity and streaming.

In 2019, we continued to deploy our Data over Cable Interface Specification version 3.1 ("DOCSIS 3.1") advanced Wi-Fi modem (XB6), powered by Comcast, which enables faster internet speeds, supports more devices and ensures a stronger in-home internet connection. Building on our network advantage and the success of our Internet offerings, in the first quarter of 2019, we introduced Internet 600 – doubling our fastest residential speed with Unlimited Data – which is available across virtually all of our Western Canadian cable footprint.

As part of the Internet 600 launch, we doubled speeds of our top residential tiers, Internet 150 and 300 to Internet 300 to 600, respectively. Our Internet services now ranges from Internet 50 to Internet 600, giving customers that live within our cable footprint choice, value, and reliable connectivity. As Canadians continue to add more devices and use more data, Internet 600 with Unlimited Data allows our customers to stream, game, make video calls and surf the web all at the same time, with improved buffering time and without incurring additional data charges.

In April 2019, the Company unveiled Shaw BlueCurve, a technology that provides customers with greater control over their home Wi-Fi experience through the BlueCurve Home App and expanded Wi-Fi coverage with BlueCurve Pods. The launch of Shaw BlueCurve technology aligns with the Company's TBT initiative regarding a more agile, innovative, and customer-centric approach to modernizing all aspects of its operations, including a more efficient delivery of products and services. In particular, the BlueCurve technology supports an easy-to-use self-install program which allows us to differentiate our broadband service by saving our customers' time so they can get connected quickly.

The BlueCurve Home App is the latest innovative in-home consumer product that Shaw has brought to market through its partnership with Comcast, and it is available with Shaw's BlueCurve Gateway modem – the hub of customers' in-home content and connectivity experience. The BlueCurve Home App provides an intuitive way for our customers to manage their in-home Wi-Fi, including time controls, user-controls, usage reporting, troubleshooting and self-installation. BlueCurve Pods are simple plug-in devices which enable Wi-Fi to reach every corner of our customers' homes by creating a mesh Wi-Fi network that reduces dead spots. The BlueCurve Pods can be easily self-installed through the BlueCurve Home App, plug directly into indoor electrical outlets, and can be easily moved to suit customers' distinct coverage needs.

In addition to our reliable service enhanced by our BlueCurve experience, a key value-added differentiator for Shaw Internet customers is access to our carrier-grade Shaw Go WiFi network, which continues to show growth in the number of devices connecting to our network. Over 3.6 million devices have authenticated on our Shaw Go WiFi network and there are over 100,000 access points used by our customers in coffee shops, restaurants, gyms, malls, public transit and other public spaces covering locations from British Columbia to Ontario.

In fiscal 2019, we continued the focus on our 2-year Value Plans, which provide customers with price certainty over the term and has resulted in lower churn rates on those plans. Due to the strength of our FibrePlus network and our focus on improving execution, we added approximately 35,000 Internet customers in fiscal 2019, including 11,400 Internet customers in the fourth quarter.

Video

Our wireline Video services continue to offer a wide selection of standard definition ("SD") and high definition ("HD") television channels with access to one of Western Canada's largest selection of on-demand titles, including access to both free and paid movies, television shows and music content.

Our Video customers can choose pre-selected packages with the most popular channels or start with a basic primary package and then add additional channels from a variety of sports, family and other theme specialty packages, as well as individual channels offered on a channel-by-channel basis.

Our flagship Video offering is the Comcast Xfinity-based Video service, branded as Shaw BlueCurve TV, our next generation of TV service (replacing our BlueSky TV service). Blue Curve TV is available across most of our western Canadian cable footprint. BlueCurve TV provides a superior and unique content search experience – a single voice command on the remote returns content available for viewing from live TV, Video On Demand, YouTube, Crave, Netflix, Amazon Prime, and other OTT platforms (where subscribed) – it's all in one place.

In connection with the BlueCurve TV launch, we also upgraded our Video packages to provide a simplified offering for Canadians with improved channels and entertainment value for our customers that bundled BlueCurve TV and Internet services.

Our Shaw BlueCurve TV customers also have access to the X1 based "BlueCurve TV App", our next generation TV app (replacing our Free Range TV app), which is free for all Shaw Video (Cable and Shaw Direct) customers. The BlueCurve TV App makes available, over the Internet and mobile devices, a large library of content, including current TV shows, movies, sports, and family content. In addition, the BlueCurve TV App allows BlueCurve TV customers to access to their PVR recordings and download any recordings and take with them on the go.

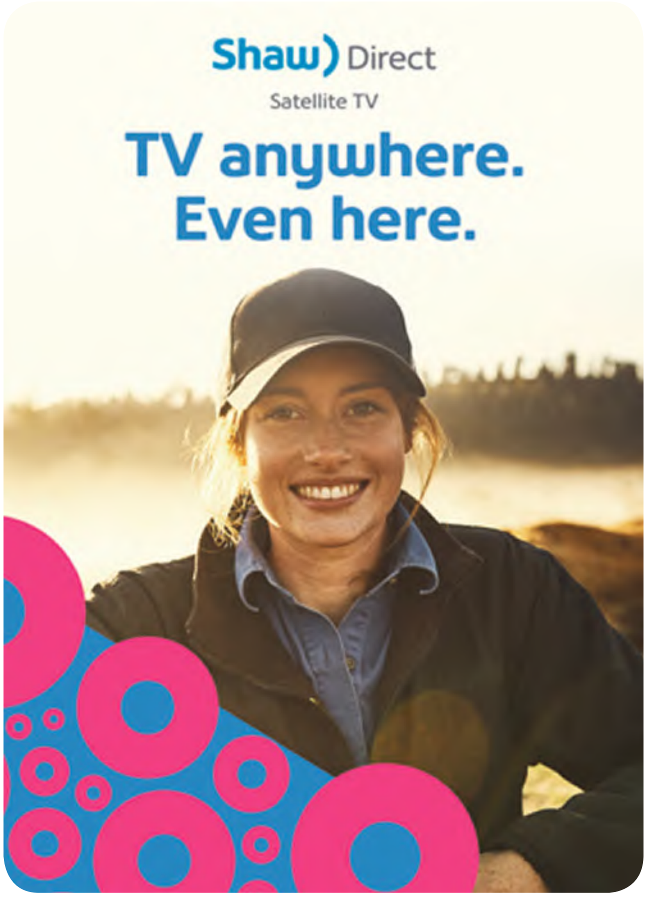
Building on the BlueCurve gateway modem, in May 2019, we began to seamlessly roll-out our IPTV service on a market-by-market basis providing Canadians with additional functionality on the BlueCurve TV platform, including access to a 4K wireless player which allows them to watch TV in any part of their home. As of August 31, 2019, we successfully launched our IPTV service across 70% of our Western Canadian footprint with the full roll-out expected to be complete over the next few months.

Phone

Our Phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and Video services.

Satellite Services

Shaw Direct connects families across Canada with Video and audio programming by satellite. Shaw Direct customers have access to over 550 digital video channels (including over 300 HD channels) and thousands of on-demand, pay-per-view and subscription movie and television titles.



Similar to our wireline Video service, our satellite customers can select a primary TV package that includes a set number of base channels plus a selection of add-on channels. Shaw Direct customers can further customize their TV packages by adding additional theme packs, premium packages and individual channels.

Shaw Direct is one of two licensed satellite Video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite Video is generally stronger in rural areas. The service is marketed through Shaw Direct and a nation-wide distribution network of third-party retailers.

We are committed to securing and delivering leading technology for our customers. Currently, we have access to three satellites that enable us to enhance our offerings with nearly all HD programming and improved service quality. During fiscal 2019, we completed the final phase to move all Video services from MPEG-2 to MPEG-4 to improve the operational efficiencies of our transponders. We expect to be able to offer all carried and available English and French services in HD by early 2020.

A listing of our satellite capacity is provided below as at August 31, 2019.

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2 [1]	16 Ku-band 6 Ku-band	Owned[2][3] Leased
Anik F1R	28 Ku-band[3] 1 C-band	Leased Leased

[1] On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada. As part of the transaction, the leases to access the Anik F2 2 Ku-band (partial) and the Intelsat Galaxy 16 1 Ku-band (partial) were assigned to Omnitracs Canada.

[2] Effective October 1, 2019, the Company transferred its interest in the 16 Anik F2 transponders which it owned, back to Telesat.

[3] Also effective October 1, 2019, the Company adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements on 6 Anik F1R Ku-band transponders and 16 Anik F2 Ku-band transponders until the effective end-of-life date of such satellites.

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Our Consumer Video business does not depend on any single customer or concentration of customers.

BUSINESS

Shaw Business provides connectivity solutions to business customers of all sizes, from home offices to medium and large-scale enterprises, leveraging our business grade FibrePlus and fibre-to-the-premise (“FTTP”) networks.

The range of services offered by Shaw Business includes:

Fibre Internet

- Scalable, symmetrical fibre Internet solutions from 10 Mbps to more than 10 Gbps.

Business Internet

- On March 7, 2019, Shaw Business launched its fastest internet tier in select areas, with download speeds of up to 1 Gbps paired with upload speeds of up to 125 Mbps, which allows businesses of all sizes to get the bandwidth they need and ensure their employees, customers and guests can get the most out of their connectivity experience.
- In the third quarter of fiscal 2019, Shaw Business:
    - upgraded its Internet 25 and other lower tier speed customers to Internet 75 (with download speeds of up to 75 Mbps paired with uploads speeds of up to 15 Mbps).
    - doubled the speeds of eligible Shaw Business Internet and Smart Wi-Fi 150 and 300 customers to Shaw Business Internet and Smart WiFi 300 and 600 (with download speeds of up to 300 Mbps and 600 Mbps, respectively paired with upload speeds of up to 20 Mbps and 30 Mbps, respectively). Shaw Business Internet and Smart WiFi 150 and 300 customers were notified about their eligibility to receive this complimentary speed increase and a new Hitron DOCSIS 3.1 modem.
    - all these packages offer unlimited data usage, one dynamic and one static IP address, and are available on month-to-month, 2, 3, and 5-year contract terms.

Data Connectivity – provides secure private connectivity for multiple locations

- In January 2019, Shaw Business launched an enhanced data service, Ethernet over DOCSIS (EoD), which offers symmetrical data speeds of up to 100 Mbps making Shaw the first multiple system operator in North America to offer these symmetrical speeds over a hybrid fibre coaxial network.
- Leveraging our hybrid fibre-coaxial network, or FibrePlus network, we have extended this EoD service to over 300,000 business locations in Western Canada.

Voice Solutions

- Shaw Business offers a range of voice solutions from traditional analog to digital Business Phone and robust, fully-managed voice systems with unified communications functionality.
- Shaw Business Digital Phone offers more than 18 business features including multi-line hunting, voicemail to email and an included toll-free number.
- in addition to competitive long-distance rates across the globe and month-to-month uncontracted rates, Shaw Business phone customers have 2, 3, and 5-year contract options to provide cost consistency for their business.

Video

- Video and audio service offering content for public viewing.
- Similar to our consumer Video service, Business cable and satellite customers can choose from a selection of primary channel packages and may add from a variety of sports, family and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis.
- In August 2019, Shaw Business launched a Video Casting solution for hospitality giving guests the ability to securely and seamlessly cast video content from their personal devices to a guest room television. This property management solution streamlines the guest authentication experience and enables hoteliers to monetize the Wi-Fi solution.

Broadcast Video

- Delivers high-quality Video to service providers across North America in real time.

Shaw) Business

Shaw Business has positioned itself as a trusted business advisor by taking care of all aspects of its customers' increasingly complex always-on connectivity requirements so they can focus on growing their business. As part of this strategy, Shaw collaborates with global scale technology leaders to offer its "Smart" suite of easy to use and flexible managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions that are increasingly valued by businesses of all sizes as the digital economy grows in scope and complexity.

The Smart Suite of services includes:

SmartVoice

- SmartVoice is a unified communications solution that integrates instant messaging, presence, email, video conferencing and a mobile application that is built on Broadsoft's BroadWorks platform.

- From comprehensive traditional phone features such as auto-attendant, hunt groups and call recording to collaboration tools such as instant messenger and screen sharing, SmartVoice gives businesses the flexibility to work in a modern way.
- SmartVoice offers three different levels of packaging based on business needs and is available on 2, 3, or 5-year contract terms.

SmartWiFi

- SmartWiFi is a fully-managed Internet solution deployed over Cisco's Meraki platform that enables seamless, secure wireless connectivity for employees, customers and guests in the office.
- SmartWiFi also enables access to the cloud portal where customers can easily manage their service, configure their set service identifiers, or SSIDs, to gain insight from network analytics and create a custom dashboard.
- Available at speeds of up to 75 Mbps, 300 Mbps, 600 Mbps and 1 Gbps, plus Wireless access points, SmartWiFi provides our customers with exceptional Wi-Fi coverage on 2, 3, or 5-year contract terms.

SmartSecurity

- SmartSecurity is a fully-managed network security platform deployed over Cisco's Meraki platform that protects a wired and Wi-Fi network at the edge with access control, virus protection, the ability to control which applications run on the network, content filtering and the connection of branch locations. A SmartSecurity premium package also includes the ability to set-up a secure a virtual private network, or VPN.
- In February 2019, Shaw Business introduced LTE Failover, an add-on service for SmartSecurity, which provides redundancy through a secondary Internet connection that ensures seamless and automatic failover in case of an outage.
- SmartSecurity is available when bundled with SmartWiFi or Business Internet on 3 or 5-year contract terms.

SmartSurveillance

- SmartSurveillance is a fully-managed, enterprise-grade security camera solution deployed over Cisco's Meraki platform. Managed through a cloud-portal, SmartSurveillance enables business owners to view footage and manage their cameras from anywhere using an intuitive on-line dashboard. Sophisticated features, such as motion-based search and heat mapping, allow owners to quickly find footage of interest and identify activity patterns.
- SmartSurveillance can also be bundled with SmartWiFi or Business Internet 75 and above on a 3 or 5-year contract term.

Software Defined Wide Area Network ("SD-WAN")

- In October 2018, Shaw Business launched SD-WAN, which provides businesses with a better way to connect multiple offices in a scalable and cost-effective manner on a cloud-managed platform.
- With integrated security, multiple Internet links, seamless LTE failover and intelligent path control, SD-WAN enables companies to deploy a resilient, cost-effective, high-bandwidth connectivity solution.
- Powered in partnership with Cisco Meraki, SD-WAN sites are connected by Internet links secured by our SmartSecurity service which provides network protection and cloud-based security policy updates to protect businesses from the latest vulnerabilities and network threats.

Session Initiation Protocol ("SIP") Trunking

- Our next-generation SIP Trunking solution, on the Broadsoft platform, delivers a centralized voice solution managed in an easy-to-use cloud portal.
- SIP allows customers to pay only for what they need with the ability to scale the system quickly as businesses grow.
- The integration with Broadsoft's platform provides businesses with access to unified communications features such as video conferencing, call queuing and auto-attendant as well as the ability to join offices with SmartVoice and SIP into the same environment to save cost and increase efficiency.

On the success of its SmartSuite of products, Shaw Business continues to grow at a steady pace despite recent years of economic challenges experienced in parts of Western Canada. Highlighted by growth in the small and medium sized business markets, our Business division continues to consistently increase its customer base, revenue and profitability. Our SmartSuite products can scale to larger businesses, giving us opportunities to deliver services across Canada.

In order to continue to meet the evolving needs of our customers, we are executing our plan to ensure that our wireline network keeps pace with our customers' expectations for bandwidth, speed and reliability. See "Shaw's Wireline Network" for a description of our wireline network and the advances that we are undertaking.

Calgary1 Data Centre

On August 1, 2019, Shaw Business completed the sale of the assets of the Shaw Calgary1 data centre, including all of the contractual relationships residing in the facility and the existing operational and sales teams, to a third party. As part of the transaction, the parties entered into a multi-year customer agreement whereby the purchaser will be a third-party data centre supplier to Shaw Business in Calgary, further complimenting Shaw Business' connectivity capabilities.

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers ("ISPs"), other communications companies, broadcasters, governments and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European and Asian networks and other tier-one backbone carriers. All service solutions are sold on 1, 3 or 5-year contract terms and pricing is negotiated based on the specific solution provided to the customer.

Broadcast Services

Shaw Broadcast Services uses our satellite network to manage one of North America's largest full-service commercial signal distribution networks. Shaw Broadcast Services currently provides distribution of English, French, and third-language, Canadian, US and International television and radio programming services to hundreds of multichannel operators.

As we continue to improve overall efficiency and provide a seamless connectivity experience to our customers, the Company announced that commencing in fiscal 2020, the Wholesale Wireline Network Services and Broadcast Services will be reported as part of the Consumer division.

Tracking

In fiscal 2018, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada for approximately US$20 million.

Shaw's Wireline Network

At Shaw, we are proud of our advanced FibrePlus wireline network, which combines the power of fibre, coax, and Wi-Fi and is comprised of our:

- North American fibre backbone;
- Regional fibre optic and co-axial distribution networks; and
- Local Shaw Go WiFi connectivity.

Wireline Backbone

The backbone of Shaw's wireline network includes terabits of capacity over multiple fibres on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Regina, Winnipeg, Toronto, Chicago and Buffalo). The northern route consists of approximately 5,000 route kilometres of fibre between Prince George and Montreal (via Edmonton, Saskatoon, Winnipeg, Thunder Bay, Toronto and Ottawa). Current fibre construction to extend our Northern route from Prince George to North Vancouver is underway in collaboration with the federal government's Connect to Innovate and Connecting British Columbia programs. A third secured capacity backbone route for advanced redundancy is located from Vancouver to Edmonton to Calgary and Calgary to Toronto through Dallas and New York. These routes, along with a number of other secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including (i) Vancouver and Calgary, (ii) Seattle and San Jose, (iii) Seattle and Calgary, (iv) Seattle and Vancouver, (v) Toronto and New York City, (vi) Toronto and Montreal, (vii) Edmonton and Fort McMurray, and (viii) Denver and Calgary.

Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and FibrePlus distribution networks.

In fiscal 2018, we completed the activation of the next generation of cable access technology known as DOCSIS 3.1. Powered by our latest generation of DOCSIS 3.1 enabled Cable modem, the XB6, the upgrade allowed us to launch our Internet 600 consumer speed tier and our 1 Gbps business speed tier across virtually all of our cable footprint. The upgrade also enabled Shaw to double the speeds of its Internet 150 and 300 customers to Internet 300 and 600, respectively in December of 2018, enabling industry leading speeds in Western Canada. DOCSIS 3.1 is also being leveraged to provide wireless backhaul services for our Freedom Wireless LTE small cells, providing significantly improved wireless coverage and capacity in both indoor and outdoor locations, while minimizing deployment and upgrade costs.

In conjunction with our DOCSIS 3.1 upgrades, we are continually increasing the spectrum usable on our cable plant, enabling increased upstream and downstream capacities. In March 2019, Shaw Business launched its fastest Internet tier with download speeds of up to 1 Gbps paired with upload speeds of up to 125 Mbps, which is currently one of the fastest broadly available upload speeds by a North American cable operator. We expect that these efficient upgrades will continue to allow cable technology to achieve fiber equivalent performance in download and upload speeds.

Shaw continues to optimize the capacity and efficiency of our wireline network and has virtually eliminated network congestion by deploying fibre optic cable deeper into our access networks and closer to where our customers reside. We continue to increase the number of optical serving areas or "nodes" in the wireline network. This is a continual process that we apply year-over-year to increase fibre optic usage in our wireline network and reduce the distance signals travel over coaxial cable to each consumer. Driving fibre deeper into our network also supports wireless and business service deployments, as well as future services such as 5G, fibre-to-the-premises or FTTP, or the newly released DOCSIS 4.0 specification, which are all potential building blocks for multi-gigabit symmetrical services over co-axial infrastructure.

Shaw Go WiFi

Shaw has created Canada's most extensive service provider Wi-Fi network, Shaw Go WiFi. Shaw Go WiFi extends a Shaw Internet customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience. Over 3.6 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are over 100,000 access points used by our customers in coffee shops, restaurants, gyms, malls, public transit and other public spaces covering locations from British Columbia to Ontario. Freedom Mobile customers can also access Freedom WiFi at more than 100,000 Shaw Go WiFi access points and over 300,000 home hotspots across Western Canada making it easier to stream and download at more locations.

Shaw's Wireless Network

Shaw partnered with NOKIA to roll-out our next generation LTE wireless network to our customers in our existing markets in Ontario, Alberta and British Columbia. Until the launch of our LTE network to all of our existing markets in fiscal 2017, our customers were served by our 3G network using AWS-1 spectrum.

In October 2017, we announced the deployment of the 2500 MHz spectrum acquired from Quebecor and re-farming of a portion of our existing AWS-1 spectrum which enhanced our customers' access to LTE data speeds. This step, along with completion of the re-farming of 10 MHz of our existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018, resulted in a large majority of our existing customers migrating from 3G to LTE service using their existing devices, which allowed us to offer LTE service across three spectrum bands – AWS-1, AWS-3 and 2500 MHz. As a result, service significantly improved for customers that were migrated from 3G to our AWS-1 and 2500 MHz LTE network as well as for our remaining 3G customers.

In the fourth quarter of fiscal 2018, we launched Voice over LTE ("VoLTE") nationwide across all three of our LTE spectrum bands – AWS-1, AWS-3 and 2500 MHz – offering our customers with compatible devices an improvement in voice quality and a reduction in call set-up time. In fiscal 2018, we also started deploying small cell technology (low-powered wireless antennas and receivers with a range of 100m to 200m), designed to provide network coverage to smaller areas. As tall high-power macro towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality, speed, capacity and coverage improvements in these high traffic areas.

In fiscal 2019, we continued to deploy our Extended Range LTE network in Calgary, Edmonton, Vancouver, and the GTA, which leverages our 700 MHz spectrum, to provide customers with improved in-building coverage and as well as extending service at the edge of the current area. At the end of fiscal 2019, approximately 70% of the build is complete in Western Canada, with the remaining deployment of our 700 MHz spectrum expected to continue throughout 2020. In fiscal 2019, Freedom Mobile also migrated its core network to the newly produced CloudBased Infrastructure Software platform, which is the latest generation of cloud Core architecture from Nokia and a key building block of 5G. With our successful acquisition of the 600 MHz spectrum across our entire wireless operating footprint, we will continue to improve our network experience and provide affordable options for our customers.

Spectrum holdings

In April 2019, the Company successfully acquired 11 paired blocks of 20-year 600 MHz spectrum across its wireless operating footprint, for a total purchase price of $492 million, or $0.78 per MHz-Pop. The spectrum licences secured through the 600 MHz spectrum auction include 30 MHz across each of British Columbia, Alberta, and Southern Ontario as well as 20 MHz in Eastern Ontario. This spectrum, and the incremental network investment to deploy the spectrum, will materially improve our long-term wireless customer experience and further enable our ability to offer converged network solutions.

In addition to the recently acquired 600 MHz spectrum, our Wireless division currently holds 50 MHz of AWS spectrum, 10 MHz of 700 MHz and 20-40 MHz of 2500 MHz spectrum in the main service areas of Southern Ontario, Alberta and British Columbia. We also hold 20-60 MHz of AWS spectrum, 0-10 MHz of 700 MHz and 0-30 MHz of 2500 MHz spectrum in other markets within Southern Ontario, Eastern Ontario, Alberta and British Columbia. As discussed below, ISED has undertaken a consultation regarding the policy framework for the 3500 MHz spectrum auction. (For further detail see "Government Regulations and Regulatory Developments – Radiocommunication Act – Wireless Spectrum Licences").

The Company expects that its spectrum assets will continue to support anticipated growth in Wireless subscribers, as well as new growth, geographic diversification and scale opportunities in the markets in which we operate.

Equity Interest in Corus

Corus is a leading media and content company that develops and delivers high quality brands and content across platforms for audiences around the world. Its portfolio of multimedia offerings encompasses 35 specialty television services, 39 radio stations, 15 conventional television stations, a suite of digital assets, animation software, technology and media services. Corus is an established creator of globally distributed content through Nelvana animation studio, Corus Studios, and children's book publishing house Kids Can Press. Corus also owns innovative full-service social digital agency so.da, and lifestyle entertainment company Kin Canada. Corus' roster of premium brands includes Global Television, W Network, HGTV Canada, Food Network Canada, HISTORY®, Showcase, National Geographic, Disney Channel Canada, YTV and Nickelodeon Canada, Global News, globalnews.ca, Q107, Country 105, and CFOX. Corus is headquartered in Canada and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in April 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity at that time. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing and the final one third for 24 months post-closing. The Company also agreed to have its Corus B Consideration Shares participate in Corus' dividend reinvestment plan until September 1, 2017. For the year ended August 31, 2019, the Company received dividends of approximately $10 million (fiscal 2018 – $92 million) from Corus, $nil (fiscal 2018 – $nil) were reinvested in additional Corus Class B non-voting participating shares as the Company withdrew from Corus' dividend reinvestment plan on September 1, 2017.

In the third quarter of fiscal 2018, the Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 million was required. The recoverable amount was determined based on the value in use of the investment.

On May 31, 2019, the Company completed its secondary offering of its 80,630,383 Class B non-voting participating shares of Corus at a price of $6.80 per share, representing approximately 38% of the outstanding Class B non-voting participating shares for net proceeds to the Company of approximately $526 million. Shaw no longer holds any equity interest in Corus.

Climate Change and Environmental Responsibility

Shaw is committed to delivering a seamless connectivity experience to Canadians in an environmentally responsible and sustainable manner. In fiscal 2019, we continued to make positive strides on our climate change initiatives, which include:

- **Reducing Consumption** – We support efforts to reduce employee, customer, and enterprise consumption of:
  a) Power – through the use of energy efficient technologies,
  b) Water – by reducing water consumption in Shaw owned buildings, and
  c) Paper – by continuing to promote e-bill and efficient printing behaviours amongst employees and customers to reduce paper use by shifting interactions to digital platforms as part of the Company's digital transformation.
- **Waste Reduction** – To reduce employee, customer, and enterprise waste we have implemented waste diversion and e-waste recycling programs and reduced single-use items in our marketing campaigns and packaging.
- **Reducing Carbon Emissions** – To reduce Shaw's carbon footprint by carbon reduction (through LED lighting, high-efficiency boilers, e-billing, and reduced truck rolls due to increased consumer self-install of CPE) and offsetting carbon emissions at its major facilities;
- **Engagement and Awareness** – Drive employee, customer and enterprise awareness of Shaw's environmental initiatives. Engaging employees in our journey, through the establishment of green teams, earth week, and waste reduction initiatives, to advance our goals of educating and sharing common beliefs and values around environmental sustainability.

The Company participates in the Society of Cable Telecommunications Engineers' Energy 2020 program which set targets to reduce power consumption per unit by 20%, reduce energy costs by 25% on a unit basis, and reduce grid dependency by 5% by 2020 relative to a 2014 baseline.

Shaw is also a signatory of the Canadian Voluntary Agreement on Energy Efficiency (CEEVA) with respect to Set-Top Boxes (STBs). CEEVA aims to significantly reduce the total annual energy consumption used by STBs in Canada, cutting the annual carbon emissions by over 100,000 tons – the equivalent of taking 44,000 cars off the road (i.e. subcompact cars driving 15,000 km per year).

Community Investment

Shaw's approach to community investment is designed to build brand awareness and affinity, advance business objectives, and deepen employee engagement, while creating demonstrable impacts in our communities. By partnering with leading charitable organizations and leveraging our range of sponsorship, marketing and public relations assets, our activities positively affect more than 850,000 youth and families across Canada each year. In fiscal 2019, Shaw contributed over $45 million in cash and in-kind support – as well as 10,000 hours of volunteer time – to over 500 local and national youth-focused charitable organizations that help improve the quality of life for kids, youth, and their families.

The Shaw Charity Classic, one of the most popular stops on the PGA TOUR Champions, continues to be our flagship platform to annually showcase our community investment activities as a leading employer and corporate citizen. In fiscal 2019, the seventh edition of the tournament generated approximately $14.1 million in charitable donations, benefitting 200 organizations that help more than 500,000 kids and families in Alberta. Since its inception in 2013, the Shaw Charity Classic has raised more than $48 million for charity and is a momentous annual fundraising platform for children and youth charities supporting Alberta families.

In fiscal 2019, Shaw continued its efforts to support positivity, inclusion, and respect in schools, through our Shaw Kindness Sticks grants. The initiative provided grants up to $5,000 to develop 10 youth-led initiatives that promoted kindness and respect in their schools. Over 150 applications were received from kids and youth across the country, and prominent Canadian athletes, icons, and community builders joined Shaw in selecting awarding, and activating the top 10 ideas to be awarded funding, which engaged more than 10,000 students.

In fiscal 2020, we will continue to take steps to advance our Community Investment approach to better meet the needs of our stakeholders through cross-functional execution, operational integration, and modernization. We are working to further enhance brand trust with employees, customers, and government while making a better impact on local business and community needs across the country. Specifically, we are doing more to integrate community investment activities into our core operations; modernizing our best-in-class employee giving programs to better engage their energy to support our communities; and creating cross-functional regional leadership committees to direct local grassroots donations that will drive business objectives and community impact. Together, these and other efforts are intended to raise the profile of Shaw locally and nationally as a community leader committed to enabling a better future for Canadians.

GOVERNMENT REGULATIONS AND REGULATORY DEVELOPMENTS

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various pieces of legislation, including the Broadcasting Act (Canada) ("Broadcasting Act"), the Telecommunications Act (Canada) ("Telecommunications Act"), the Radiocommunication Act (Canada) ("Radiocommunication Act") and the Copyright Act (Canada) ("Copyright Act"). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and Innovation, Science and Economic Development Canada ("ISED"), respectively. The allocation and use of wireless spectrum in Canada are governed by spectrum licences issued by, and radio authorization conditions set by, ISED pursuant to the Radiocommunication Act.

In June 2018, ISED and Canadian Heritage launched a joint review of the Broadcasting Act and the Telecommunications Act, which will also include a review of the Radiocommunication Act (the "Joint Review"). The Joint Review is being conducted by a panel of external experts ("Expert Panel") tasked with studying the legislation and making recommendations to the Ministers of ISED and Canadian Heritage by January 31, 2020. The Expert Panel is examining issues such as telecommunications and content creation in the digital age, net neutrality and cultural diversity, and how to strengthen the future of Canadian media and Canadian content creation.

Limits on non-Canadian ownership and control

Neither a holding company that has a subsidiary operating company licensed under the Broadcasting Act, nor any such licensee, may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. Pursuant to the *Direction to the CRTC (Ineligibility of Non-Canadians)* (the "Direction"), non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the Broadcasting Act. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer ("CEO") and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. If a holding company of a licensee does not satisfy the requirement that 80% of its board of directors be resident Canadians, it must have a CRTC-approved Independent Programming Committee ("IPC") in place to ensure that neither the holding company nor its directors exercise control or influence over the programming decisions of its subsidiary licensee. With CRTC approval, Shaw has implemented an IPC to comply with the Direction.

Similar restrictions apply to certain Canadian carriers pursuant to the Telecommunications Act, the Radiocommunication Act and associated regulations, except that there is no requirement that the CEO be a resident Canadian of a company operating pursuant to those Acts. Instead, the Telecommunications Act, the Radiocommunication Act and associated regulations require only that 80% of the voting shares of such entities be held by resident Canadians. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Broadcasting Act

Pursuant to the Broadcasting Act, the CRTC is mandated to regulate and supervise all aspects of the broadcasting system in a flexible manner. The Broadcasting Act requires broadcast distribution undertakings ("BDUs") to give priority to the carriage of Canadian services; to provide efficient delivery of programming services at affordable rates; to provide reasonable terms for the carriage, packaging and retailing of those programming services; and provides the option to operate a community channel. Under the Broadcasting Act, the Governor in Council (GiC) may issue broad policy directions of general application on matters with respect to the objectives of Canada's broadcasting policy and related regulatory policy.

The Broadcasting Act also sets out requirements for television broadcasters with respect to Canadian content. The Company's broadcasting distribution business and on-demand programming services depend on licences (or operate under an exemption order) granted and issued by the CRTC under the Broadcasting Act. Pursuant to CRTC Regulations, the Company is required to contribute 5% of its cable and direct-to-home ("DTH") BDUs' revenues to the production of Canadian programming.

Licensing and ownership

In August 2018, the Commission renewed the Company's cable licences for a five-year term from September 1, 2018 to August 31, 2023. On August 31, 2018, the Company submitted renewal applications for its DTH and Satellite Relay Distribution Undertaking ("SRDU") licences which were to expire on August 31, 2019. In July 2019, these services were issued administrative renewals of their licences, which will expire November 30, 2019, by which time we expect CRTC decisions with longer renewal terms.

In May 2017, Shaw On Demand's licence was renewed for a five-year term from September 1, 2017 to August 31, 2022. On August 5, 2019, the Company's terrestrial Pay-Per-View ("PPV") and DTH PPV licences held by Shaw PPV, were renewed for five-year terms from September 1, 2019 to August 31, 2024.

New media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage. The CRTC has not imposed any levy on the revenue of exempt digital media undertakings to support Canadian new media content.

In July 2019, the Minister of Canadian Heritage indicated that the federal government intends to take appropriate measures swiftly, when it receives the final report of the Expert Panel in connection with the Joint Review, to ensure that “all players, including the Internet giants” offer meaningful levels of Canadian content, contribute to the creation of Canadian content, and promote Canadian content and make it easily accessible on platforms.

The potential for new or increased fees

Any changes to the Broadcasting Act pursuant to the Joint Review (see “Government Regulations and Regulatory Developments”) could impact the business practices of the Company, or result in new fees payable by the Company’s cable, DTH or on-line services. New fees could also be imposed pursuant to CRTC Regulation, as the Commission indicated that in 2020-2021 it will consider whether to examine new mechanisms to support television news production. If the CRTC were to consider and implement support for television news production through increased access to subscription revenue, it would increase costs for the Company.

CRTC Regulations require cable BDUs to obtain the consent of an over-the-air (“OTA”) broadcaster to deliver its signal in a distant market (which can be either within the province of origin or out-of-province). In the case of DTH BDUs, CRTC Regulations permit the distribution of local OTA television signals on a distant basis without consent within the province of origin, but DTH BDUs must obtain broadcaster consent to deliver the OTA television signal out-of-province unless the DTH BDU is required to carry the signal out-of-province on its basic service. Broadcasters may assert a right to limit distribution of distant signals or to seek remuneration for the distribution of their signals in distant markets on the basis of the CRTC Regulations.

Telecommunications Act

Under the Telecommunications Act, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable high-quality telecommunication services. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Retail Internet, home phone services and mobile wireless services have been forborne from price regulation. However, regulations do affect certain terms and conditions under which Shaw’s retail services are provided. As described further below under “Third Party Internet Access,” certain Shaw wholesale services are regulated.

Under the Telecommunications Act, the GiC may issue broad policy directions of general application to the CRTC with regard to the telecommunications policy directives set out in the Telecommunications Act (“Telecommunications Policy Direction”). As described below under “New Government Policy Direction to the CRTC Concerning Telecommunications”, a recent Telecommunications Policy Direction is intended to guide the CRTC’s decision-making on telecommunications matters, including in its upcoming Wireless Review.

The CRTC and ISED can also impose monetary penalties on companies that contravene the Telecommunications Act, the Radiocommunication Act and the regulations and rules promulgated thereunder.

ISED is responsible for the allocation, issuance and management of radio spectrum pursuant to the Radiocommunication Act. As well, the technical operating aspects of the Company’s businesses are regulated by technical requirements and performance standards established by ISED, primarily under the Telecommunications Act and the Radiocommunication Act.

Any changes to the Telecommunications Act pursuant to the Joint Review could impact the business practices of the Company, and/or result in new fees for the Company, for example, by requiring ISPs to contribute a fixed percentage of revenues to support the creation of Canadian content – a possible policy option presented in the CRTC’s May 2018 report and publicly noted by the CRTC Chair in June 2019.

Third Party Internet Access

Shaw is mandated by the CRTC to provide a wholesale high-speed access (“HSA”) service at regulated rates to independent ISPs (“Resellers”), who use the wholesale HSA services to provide their own retail Internet services to their end-users (“Third Party Internet Access” or “TPIA”). On August 15, 2019, the CRTC issued Telecom Order 2019-288 (the “Order”), which set Shaw’s final wholesale HSA service rates. The final rates are significantly lower than the interim rates set in October 2016, and retroactive to January 31, 2017. The Order, if upheld and unvaried, will significantly reduce the amount that the Company can charge for aggregated HSA service and negatively impact its broadband wireline revenues and its ability to compete with Resellers and other facilities-based HSA providers.

On September 13, 2019, Shaw jointly with Cogeco, Eastlink, Rogers and Videotron (the “Cable Carriers”) filed a motion for leave to appeal the Order with the Federal Court of Appeal, as well as a motion to stay the Order, pending the final judgment on the appeal (if leave is granted). On November 22, 2019, the motion for leave to appeal the Order, as well as the motion to stay the Order pending final judgment on the appeal was granted. As well, on November 13, 2019, the Cable Carriers filed a Petition requesting that the Cabinet order the CRTC to reconsider the Order. A decision on whether to vary, rescind or refer the Order back to the Commission must be made within one year from the date of the Order.

Any of the following developments could significantly reduce the amount that Shaw can charge for aggregated HSA service and negatively impact Shaw's broadband wireline revenues and its ability to compete with Resellers and other facilities-based HSA providers: any decision, pursuant to the granting of an appeal, to uphold the Order in a form that is substantially unvaried; a refusal by Cabinet to order a variance, rescission or reconsideration of the Order; and any variance or reconsideration that does not result in any substantial changes to the Order.

In 2015, the CRTC completed a review of the wholesale wireline policy framework, including TPIA and: (i) extended mandated wholesale access services to include FTTP facilities; and (ii) initiated a shift to a new disaggregated wholesale HSA service. The new disaggregated HSA regime is being phased-in. The CRTC approved interim disaggregated rates for Ontario and Quebec. The CRTC's process to extend the disaggregated service into Western Canada, including Shaw's territory, is on hold, but is expected to resume in 2020-2021. The final rates and the terms of implementation of disaggregated HSA service could impact broadband revenues and our ability to compete with Resellers and other facilities-based disaggregated HSA providers. The CRTC is currently planning to review the process and methodologies for setting rates of regulated wireline and wireless wholesale services in 2019-2020. The CRTC is also currently planning to review wireline wholesale services in 2020-2021.

Competition Bureau Study on the State of Competition in the Wireline Broadband Market

On August 7, 2019, the Competition Bureau released its report regarding the state of competition in the wireline broadband sector (the "Report"). The Report was the result of a year-long study that was initiated with the goal of identifying the steps that regulators and policy makers could take to enhance competition. Rather than making recommendations, the Report articulated key questions which "will be important to address in the process of crafting and refining" industry regulation going forward and "necessary to conceptualize and define competition analysis in future fora." The Report indicated that the results of the study "paint a largely positive picture" regarding the state of competition and consumer choice in Canada's broadband market and emphasized that the strength of Canada's wireline broadband networks depend on investment and innovation by facilities-based competitors. The Bureau's recommendations could influence future government and CRTC policies and regulations, including those pertaining to wholesale wireline services and the regulations for TPIA.

CRTC Wireless Review

In March 2018, the CRTC declined to extend the mandated roaming regime to include public Wi-Fi providers. The Commission subsequently undertook a consultation to investigate the availability and pricing of low cost data-only packages, including whether wireless carriers should be required to offer low-cost data-only packages. In December 2018, the CRTC determined that it would refrain from mandating specific low-cost data-only plans and instead opted to direct the three incumbent national wireless carriers to make available proposed low-cost data-only plans and to keep those plans in the market at least until a decision is issued in its upcoming review of mobile wireless services.

In February 2019, the CRTC initiated its review of the regulatory framework for mobile wireless services with a public hearing currently scheduled for February 2020. The proceeding will include assessments of: (i) competition in the retail market, including potential regulatory intervention, such as new retail policies and mandated low-cost data-only plans; (ii) wholesale wireless regulation, including wholesale access for mobile virtual network operators ("MVNOs"); and (iii) barriers to the introduction of new technologies and any regulatory interventions to support investment and competition, including as it relates to small-cell deployment. The CRTC will not be revisiting the final rates for mandated wholesale roaming on the national incumbent wireless carriers' networks set in 2018, which are lower than the interim rates set in early 2015. The Commission has conveyed its preliminary view that it would be appropriate to mandate wholesale MVNO access to the networks of the national incumbents. The Notice includes a series of questions regarding the possible eligibility requirements and other terms and conditions of a possible mandated MVNO regime. The CRTC's determinations on these questions and other questions in the Notice could affect Shaw's ability to compete in the mobile wireless market. The new Telecommunications Policy Direction to the CRTC regarding telecommunications, described below, will apply to this proceeding.

36-Month Device Financing

The CRTC is reviewing whether 36-month equipment installment plans ("EIPs") are compliant with the Wireless Code. On August 2, 2019, following the introduction by the national incumbent wireless carriers of EIPs ranging from 24- to 36-months, the Commission ordered all wireless service providers to cease offering EIPs longer than 24-months until the Commission has had an opportunity to complete a full review of the practice. If 36-month EIPs are permitted, it could impact Freedom's ability to gain market-share.

New Government Policy Direction to CRTC Regarding Telecommunications

On June 16, 2019, the Government published a finalized Policy Direction (following its publication of a proposed Policy Direction on March 9, 2019) that provides general guidance to the CRTC on all telecommunications regulatory measures, including those affecting Shaw's Consumer and Business Internet and phone services, wholesale telecommunications services, and Shaw's wireless services. The new Telecommunications Policy Direction directs the CRTC to consider how measures can promote all forms of competition and investment, as well as affordability, consumer interests and innovation. The impact of the new Policy Direction will depend on how the CRTC interprets it in the context of specific matters and proceedings.

2019 Federal Election

During the recent federal election, which resulted in a minority government, several parties expressed commitments to reduce the price of mobile and internet services. The introduction of any future regulation or policy to implement such commitments could have a material adverse impact on the Company's financial results.

CRTC Internet Service Provider Code

On November 9, 2018, the CRTC initiated a proceeding to establish a mandatory code applicable to Internet services provided by larger, facilities-based ISPs, such as Shaw. The CRTC has already enacted a Wireless Code and a Television Service Provider Code applicable to wireless and television service providers, respectively.

On July 31, 2019, the Commission published a final version of the Internet Code and indicated that it would take effect on January 31, 2020. This final version is generally consistent with Shaw's submissions as to appropriate scope and commercial terms and practices. However, implementation of the Internet Code may result in cost increases for the Company.

Retail Sales Practices

In June 2018, the GiC issued an order to the CRTC, directing it to investigate the retail sales practices used by Canada's large telecommunications carriers and report back to the GiC by February 2019 with its findings on the prevalence of such practices and how existing consumer protections could be expanded, or new protections developed, to ensure consumers are empowered and treated fairly by their service providers. Shaw was made a party to this proceeding by the CRTC and participated in the oral public hearing in October 2018.

On February 20, 2019, the CRTC published its Report on Misleading or Aggressive Communications Retail Sales Practices and found that "a significant portion of Canadians are experiencing misleading or aggressive sales practices through all types of sales channels" in connection with their purchase of telecommunications and broadcasting services. While the Report did not result in new rules or regulatory obligations, the Report's findings, coupled with a planned Commission examination of activities undertaken in 2020-2021 to address those findings, could lead to new measures implemented in the context of current or future proceedings. The introduction of any such measures could negatively impact our ability to serve our customers, result in cost increases for the Company and negatively impact the Company's revenue.

Access for wireline network

For its wireline network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the Telecommunications Act, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the Telecommunications Act, Shaw may access such places with the consent of the municipality or other public authority having jurisdiction.

Radiocommunication Act

Our Wireless division holds licences for the use of radiofrequency spectrum required to operate its mobile wireless business. Those spectrum licences are administered by ISED under the Radiocommunication Act. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

Any changes to the Radiocommunications Act pursuant to the Joint Review (see "Government Regulations and Regulatory Developments") could impact the business practices of the Company and/or the processes governing its acquisition of new spectrum for purposes of building its wireless networks.

Wireless Spectrum Licences

The Wireless division's AWS-1 spectrum licences were renewed at three different stages, each for a term of 20 years, and prior to expiration, the licences may be renewed. The applicable terms and conditions of renewal of Shaw's and other carriers' spectrum licences, after the initial terms, were determined by ISED pursuant to public consultation processes that began in the summer of 2017. In early 2018, ISED issued its policy decision relating to the renewal of AWS-1 and other spectrum licences auctioned in 2008. As expected, ISED also imposed more onerous deployment conditions for licences issued through the renewal process.

The AWS-3 spectrum licences were issued in April 2015 and have a term of 20 years. The 700 MHz and 2500 MHz spectrum licences that the Company purchased from Quebecor were initially issued in February 2014 and May 2015, respectively for a term of 20 years.

Following a consultation in 2018, ISED released a decision allowing future mobile use in the millimeter wave bands including 26 GHz, 28 GHz, and 38 GHz bands, as well as licence-exempt use in the 64-71 GHz bands. The details of these frameworks will be the subject of future proceedings.

ISED's 600 MHz auction took place in March and April 2019 following a public consultation process in 2018. The auction framework included a set-aside of 30 MHz of the total 70 MHz of spectrum available. Shaw secured spectrum in Alberta, British Columbia and Ontario.

In June 2019, ISED released its decision on revisions to the 3500 MHz (3450-3650 MHz) band, enabling existing holders to retain a portion of their 3500 MHz spectrum to convert to mobile spectrum, with the remainder to be made available for the 3500 MHz auction. In June 2019, ISED initiated a consultation on a policy and licensing framework for the 3500 MHz band (the "Consultation"). The Consultation is also seeking comments on the 3500 MHz auction format and rules, including potential pro-competitive measures, including a set-aside, a cap, or a combination of mechanisms. The 3500 MHz auction is expected to take place in 2020.

In July 2019, ISED issued a decision in response to its consultation on a new set of smaller service areas for spectrum licensing ("Tier 5 Service Areas") to complement ISED's existing service areas. ISED has created Tier 5 Service Areas with the objective of encouraging additional access to spectrum within rural areas pursuant to its licensing process. Currently, none of the Company's licences are subject to Tier 5 deployment requirements, but future licences may incorporate a requirement for deployment in such new service areas.

Access for Wireless Network

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers and/or sites owned and operated by third party tower and/or sites providers and the three national wireless incumbent carriers. Pursuant to the conditions of their spectrum licences and the CRTC's policy framework for wholesale wireless services, the three national wireless incumbent carriers must allow competitors, including Freedom Mobile, to co-locate equipment at these locations. However, the application and approval process for the sharing of towers is lengthy, and the ISED and CRTC processes that are available to enforce the existing rules can also be challenging and time consuming.

Copyright Act

Canada's Copyright Act accords the creators and owners of content various rights to authorize or be remunerated for the use of their works and performances, including, in some instances, by broadcast distribution undertakings. In addition, the Copyright Act creates certain exceptions that permit the use of copyrighted works without the authorization or remuneration of rights holders. Parliament initiated a mandated five-year review of the Copyright Act in December 2017. The Standing Committee on Industry, Science and Technology has conducted the review and produced a report making recommendations to the Government on June 3, 2019. No new rights or limitations on exceptions to copyright were recommended by this Report.

On December 17, 2018, Bill C-86, the Budget Implementation Act ("BIA"), received Royal Assent and contains several amendments to the Copyright Act which came into force on April 1, 2019. The amendments create the potential for increased fees as well as risk of copyright infringement. Changes to the Copyright Act introduced by the BIA include the elimination of the Copyright Act's mandatory tariff-setting regime for tariffs applicable to the public performance of works, providing performance rights collectives the option of negotiating payments on a user-by-user basis through direct licensing. A direct licensing approach, if undertaken by a collective to which Shaw remits tariff payments, could increase royalties as well as the transactional costs associated with clearing copyrights. The BIA also potentially increases risk of claims (and associated liability) in connection with unrepresented repertoire, by removing a provision that had prevented infringement proceedings by unrepresented rightsholders in situations where no tariff was filed. Finally, pursuant to the Copyright Act, the Copyright Board of Canada ("the Copyright Board") oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services. The Copyright Board may also make rulings on the interpretation of the Copyright Act in the course of issuing copyright tariff decisions.

The potential for new or increased fees

In August 2017, the Copyright Board issued a decision interpreting the scope and meaning of "making available" which is defined in the Copyright Act as part of the right to communicate a work to the public by telecommunication. In the Online Music Services proceeding, SOCAN and other rights owners argued that making a musical work available for download would trigger an obligation to pay public performance royalties to SOCAN. The Objectors, including the Company, argued that since downloading is not a public performance, SOCAN is not entitled to royalties for downloads. The Copyright Board held that while the act of downloading is not itself a communication to the public and, as such, is outside the scope of the proposed tariff, the act of loading copyright materials onto servers to facilitate downloading is a form of "making available" and a communication to the public and falls under the SOCAN tariff. The Company, along with a number of other broadcasting and internet companies, has filed an application for judicial review, arguing that the Board's interpretation is erroneous. If the Copyright Board's interpretation is upheld, it could lead to new claims by rights holders in connection with Company technologies that facilitate downloading.

On December 18, 2018, the Copyright Board released a rate decision for the Distant Signal Retransmission Tariff for the past tariff period of 2014-2018, inclusive. While the decision did not contain written reasons (which were to follow), it introduced a rate increase over the last year of the previous tariff period and established an interim tariff for 2019 based on the 2018 rate set out in the December 18, 2018 decision. Both Collectives and Objectors filed a Notice of Application for judicial review with the Federal Court of Appeal and a request for an adjournment pending the issuance of the Copyright Board's written reasons for the rate decisions. Such written reasons were issued on August 2, 2019 and amended Notices of Application seeking judicial review were filed on November 4, 2019. If a Notice of Application for judicial review of the Copyright Board's decision is resumed, such a review could result in significantly increased royalty rates pursuant to either a Court determination or any redetermination of the rates by the Copyright Board.

United States, Canada and Mexico Agreement (USMCA)

On September 30, 2018, Canada announced that it had reached an agreement on a new North American free trade agreement between the US, Mexico and Canada, called the USMCA. The USMCA, once ratified by all three parties, will replace NAFTA. US demands made in the course of negotiations for changes that could have had a material impact on the Company were not included in the USMCA. Until the USMCA is formally adopted pursuant to the legal requirements of each party country, the NAFTA will remain effective. There remains a possibility that a party will decline to finalize and implement the agreement. In such a case, there is a risk that negotiations towards an amended USMCA will be reinitiated, in which case the scope of negotiations and ultimate outcomes are unknown.

Personal Information Protection and Electronic Documents Act and Canadian Anti-Spam Legislation

The Personal Information Protection and Electronic Documents Act (Canada) ("PIPEDA") is Canada's federal privacy law regulating the collection, use and disclosure of personal information in Canada by a federally regulated organization in the private sector. Shaw has established a privacy policy and its internal privacy processes in accordance with PIPEDA.

PIPEDA provisions requiring mandatory reporting of serious privacy breaches, introduced in 2015, came into effect on November 1, 2018. These provisions require companies to: (i) track all breaches of security safeguards that involve personal information under their control, and (ii) report to affected individuals and to the Office of the Privacy Commissioner serious breaches of personal information that create a real risk of significant harm. Any such breach and disclosure by the Company could result in fines and significant reputational harm.

New consent Guidelines issued by the Office of the Privacy Commissioner of Canada ("OPC") came into effect on January 1, 2019. These Guidelines set out principles for organizations to follow in order to obtain meaningful consent and require that organizations provide more interactive, easy-to-understand privacy disclosures to their users. The Company maintains internal practices and policies to facilitate compliance with the new consent Guidelines.

In April 2019, the OPC initiated a consultation on transfers of information for processing, based on a revised PIPEDA interpretation that would, if adopted, require Canadian organizations, including the Company, to make significant and costly changes to their privacy practices. The OPC received 87 submissions in response to the consultation. On September 23, 2019, the OPC concluded that its historical guidance on the issue of transfers for processing was maintained with no changes under current law. The OPC also indicated that it would focus its efforts on the legislative review process (described below).

The Government initiated a National Digital and Data Consultation in June 2018. This led to the Government's publication, in May 2019, of a principles-based Digital Charter and a consultation to modernize PIPEDA. These processes could lead to changes to privacy regulation that would require that organizations adjust their policies and practices in key areas including data anonymization, consent and data portability. The consultation also looks at a possible enhancement of the OPC's enforcement powers, which could expose the Company to increased penalties and claims in connection with any non-compliance.

Canada's anti-spam legislation (together with the related regulations, "CASL") sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. The Company maintains internal practices and policies to facilitate compliance with CASL.

On November 5, 2018, the CRTC issued guidelines on the Commission's approach to enforcement of CASL provisions prohibiting a party from, among other things, aiding a violation of CASL. These guidelines suggest that "Telecommunications and Internet Service Providers" could be found liable for violating CASL by facilitating or technically enabling services that transgress CASL. While the guidance suggests that liability would be linked to the level of control and connection with the violators, and whether reasonable safeguards were in place to prevent or stop a violation, no examples of potential liability for ISPs or telecommunications service providers were provided. As well, the guidelines indicate that awareness of a violation is not necessary for a finding of liability. As such, the new Guidelines create a risk that Shaw could be fined for non-compliance in connection with the provision of network services.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs ("PSP"). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

FINANCIAL MEASURES

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards ("IFRS"). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-IFRS financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-IFRS measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-IFRS financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Operating income before restructuring costs and amortization

Operating income before restructuring costs and amortization is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ongoing ability to service and/or incur debt and is therefore calculated before items such as restructuring costs, equity income/loss of an associate or joint venture, amortization (a non-cash expense) and interest. Operating income before restructuring costs and amortization is also one of the measures used by the investing community to value the business.

(millions of Canadian dollars)	Year ended August 31, 2019	2018 (restated) [1]	Change %
Operating income from continuing operations	**1,125**	586	92.0
Add back (deduct):			
Restructuring costs	**(9)**	446	>(100.0)
Amortization:			
Deferred equipment revenue	**(21)**	(30)	(30.0)
Deferred equipment costs	**85**	110	(22.7)
Property, plant and equipment, intangibles and other	**974**	945	3.1
Operating income before restructuring costs and amortization	**2,154**	2,057	4.7

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

Operating margin

Operating margin is calculated by dividing operating income before restructuring costs and amortization by revenue. Operating margin is also one of the measures used by the investing community to value the business.

	Year ended August 31, 2019	2018 (restated) [1]	Change %
Wireline	**45.5%**	44.6%	2.0
Wireless	**19.0%**	15.8%	20.3
Combined Wireline and Wireless	**40.3%**	39.6%	1.8

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

Net debt leverage ratio

The Company uses this measure to set its optimal leverage. Refer to "Liquidity and Capital Resources" for further detail.

Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and return funds to shareholders through dividends and the recently announced NCIB program. Free cash flow is calculated as free cash flow from continuing operations and free cash flow from discontinued operations.

Free cash flow is comprised of operating income before restructuring costs and amortization, adding dividends from equity accounted associates, changes in receivable related balances with respect to wireline customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow from continuing operations, including operating income before restructuring costs and amortization continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are also reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow is calculated as follows:

(millions of Canadian dollars)	Year ended August 31, 2019	2018 (restated) [1]	Change %
Revenue			
Consumer	**3,707**	3,725	(0.5)
Business	**593**	567	4.6
Wireline	**4,300**	4,292	0.2
Service [2]	**694**	564	23.0
Equipment	**353**	337	4.7
Wireless	**1,047**	901	16.2
	5,347	5,193	3.0
Intersegment eliminations	**(7)**	(4)	75.0
	5,340	5,189	2.9
Operating income before restructuring costs and amortization [2][3]			
Wireline	**1,955**	1,915	2.1
Wireless	**199**	142	40.1
	2,154	2,057	4.7
Capital expenditures and equipment costs (net): [4]			
Wireline	**827**	1,018	(18.8)
Wireless	**385**	343	12.2
	1,212	1,361	(10.9)
Free cash flow from continuing operations before the following	**942**	696	35.3
Less:			
Interest	**(256)**	(247)	3.6
Cash taxes	**(160)**	(166)	(3.6)
Other adjustments:			
Dividends from equity accounted associates	**10**	92	(89.1)
Non-cash share-based compensation	**3**	2	50.0
Pension adjustment	**7**	11	(36.4)
Customer equipment financing	**1**	5	(80.0)
Preferred share dividends	**(9)**	(8)	12.5
Free cash flow	**538**	385	39.7

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. See "New Accounting Standards" for additional details.
(2) Certain figures have been adjusted to correct an immaterial, inadvertent overstatement of previously reported wireless service revenue for the year ended August 31, 2019 of $7 million.
(3) Refer to key performance drivers.
(4) Per Note 26 to the audited Consolidated Financial Statements.

STATISTICAL MEASURES:

Subscriber counts (or Revenue Generating Units ("RGUs"))

The Company measures the count of its subscribers in its Consumer, Business and Wireless divisions.

In the Consumer and Business divisions, wireline Video subscribers include residential customers, multiple dwelling units ("MDUs") and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as wireline Video customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Consumer and Business divisions' RGUs represent the number of products sold to customers and includes Video (cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2019 these combined divisions had approximately 5.5 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g. cellular phone, smartphone, tablet or mobile Internet device) has access to the wireless network for voice and/or data communications, whether Prepaid or Postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2019 the Wireless division had approximately 1.7 million RGUs.

Wireless Postpaid Churn

To assist in understanding the performance of our Wireless business, in fiscal 2019 we commenced disclosing Wireless postpaid subscriber or RGU churn ("postpaid churn"). Subscriber churn measures success in retaining subscribers. Wireless postpaid churn is a measure of the number of postpaid subscribers that deactivated during a period as a percentage of the average postpaid subscriber base during a period, calculated on a monthly basis. It is calculated by dividing the number of Wireless postpaid subscribers that deactivated (in a month) by the average number of postpaid subscribers during the month. When used or reported for a period greater than one-month, postpaid churn represents the sum of the number of subscribers deactivating for each period incurred divided by the sum of the average number of postpaid subscribers of each period incurred. Refer to "Segmented Operations Review" for postpaid churn details and description.

Postpaid churn improved 22-basis points in fiscal 2019 to 1.32% reflecting the ongoing enhancements to the wireless customer experience including our expanding and improving network and the Big Gig data-centric pricing and packaging options partially offset by the increased competitive environment experienced during the year.

Wireless average billing per subscriber unit ("ABPU")

To assist in understanding the underlying economics of our Wireless business, this fiscal year we commenced disclosing Wireless average billing per subscriber per month ("ABPU"). This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. We use ABPU as a measure that approximates the average amount the Company invoices an individual subscriber unit on a monthly basis. ABPU helps us to identify trends and measures the Company's success in attracting and retaining higher lifetime value subscribers. Wireless ABPU is calculated as service revenue (excluding the allocation of the device subsidy attributable to service revenue under IFRS 15) plus the monthly repayments of the outstanding device balance owing from customers on contract, divided by the average number of subscribers on the network during the period and is expressed as a rate per month. Refer to "Segmented Operations Review" for ABPU details and description.

ABPU of $41.67 in fiscal 2019 compares to $39.19 in the prior year. ABPU growth reflects the increased number of customers that are subscribing to higher value service plans and purchasing a device through Freedom Mobile.

Wireless average revenue per subscriber unit per month ("ARPU")

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity, but does not have a standardized meaning under IFRS. Refer to "Segmented Operations Review" for ARPU details and description.

ARPU of $37.92 in fiscal 2019 compares to $37.11 in the prior year. ARPU growth reflects the impact of changes in accounting policies upon the adoption of IFRS 15, whereby a portion of the device subsidy, previously fully allocated as a reduction to equipment revenue, is now partially allocated as a reduction to service revenue.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and notes. Following is a discussion of the Company's critical accounting policies:

Revenue and expense recognition

The identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts requires judgment. For bundled arrangements, we account for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own or with other readily available resources. The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate performance obligations; therefore, these revenue streams are assessed as an integrated package.

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from Video, Internet, Digital Phone, Direct-to-Home ("DTH"), and Wireless customers includes subscriber revenue earned as services are provided. The revenue is considered earned as the period of service relating to the customer billing elapses. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred as contract liabilities and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Costs incurred to obtain or fulfill a contract

The incremental costs to obtain or fulfill a contract with a customer are deferred and amortized into operating expenses over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives that we expect to be recoverable. Determining the deferral criteria for these costs requires us to make significant judgments.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DTH equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore, the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories", these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (e.g. wireless handsets, and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenue, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue.

The Company also offers a plan allowing customers to receive larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the consolidated statement of financial position.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred IRU revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

A significant portion of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foreseen, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. **Corporate departments such as Technology, Operations, Products, and Supply Chain ("TOPS"):** TOPS is involved in overall planning and development of the Video/Internet/Phone/Wireless infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TOPS devotes considerable efforts towards the development of systems to support Phone, Wi-Fi, and projects related to new customer management, billing and operating support systems. Labour costs directly related to these and other projects are capitalized.

2. **Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the Cable/Internet/Phone infrastructure:** Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, projects such as the new subdivision builds, increasing network capacity by reducing the number of homes fed from each node, and upgrades of plant capacity and the Wi-Fi build.

3. **Subscriber-related activities such as installation of new drops and Internet and Digital Phone services:** The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (i.e., wiring, software, etc.) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 10 to the Consolidated Financial Statements.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The timing or amount of the outflow is subject to estimation and judgment. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as interest expense. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

Employee benefit plans

As at August 31, 2019, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected to be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefits Obligation at End of Fiscal 2019	Pension Expense Fiscal 2019
Weighted Average Discount Rate – Non-registered Plans	2.90%	3.70%
Impact of: 1% decrease – Non-registered Plans	$ 88	$ 4

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Contractual and other commercial obligations primarily relate to network fees and operating lease agreements for use of transmission facilities, including maintenance of satellite transponders and lease of premises in the normal course of business. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, comprised of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus are subject to common voting control. During 2016, the Company sold its wholly owned subsidiary Shaw Media to Corus. The transaction closed on April 1, 2016. In fiscal 2019, network, advertising and programming fees were paid to various Corus subsidiaries. The Company provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries. The Company also received dividends from Corus related to its Corus Class B non-voting participating shareholdings representing 38% of the total issued equity of Corus. On May 31, 2019, the Company completed its secondary offering of its 80,630,383 Class B non-voting participating shares of Corus at a price of $6.80 per share for net proceeds to the Company of approximately $526 million. (see "Equity Interest in Corus").

Shaw no longer holds any equity interest in Corus.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). During the current year, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland BC operations.

Sale of Real Property

On May 15, 2019, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of Shaw Family Living Trust ("SFLT") (the "Purchaser"), for total net proceeds of approximately $45 million (for further detail about SFLT see "Known Events, Risks and Uncertainties – Control of the Company"). The Property had a net book value of approximately $4 million resulting in a gain on disposition of approximately $41 million. The purchase price was determined based on appraisals performed by two independent valuators. As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which was also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming and installation of equipment.

Refer to Note 29 to the Consolidated Financial Statements for further related party transaction detail.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncements

We adopted the following new accounting standards effective September 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaced IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company's financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we are required to make judgments in respect of the new standard, including judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;
- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in “Transition adjustments” for the year ended August 31, 2018, are as follows:

		Year ended August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**
Revenue	i.	5,239	(50)	5,189
Operating, general and administrative expenses	ii.	(3,150)	18	(3,132)
Other gains/(losses)		29	3	32
Income tax expense (recovery)		143	(12)	131
Net income (loss) from continuing operations		66	(17)	49

i) Allocation of transaction price

Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs

Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the year ended August 31, 2018, are as follows:

	Year ended August 31, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent to transition**
Services			
Wireline – Consumer	3,725	–	3,725
Wireline – Business	567	–	567
Wireless	595	(31)	564
	4,887	(31)	4,856
Equipment and other			
Wireless	356	(19)	337
	356	(19)	337
Intersegment eliminations	(4)	–	(4)
Total revenue	5,239	(50)	5,189

The effect of transition to IFRS 15 on impacted line items on our Consolidated Statements of Financial Position as at September 1, 2017 and August 31, 2018 are as follows:

		As at August 31, 2018			As at September 1, 2017		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.	–	59	59	–	15	15
Other current assets	ii.	286	(13)	273	155	24	179
Contract assets	i.	–	76	76	–	44	44
Other long-term assets	ii.	300	(102)	198	255	(39)	216
Accounts payable and accrued liabilities	i.	971	(1)	970	913	(4)	909
Unearned revenue	i.	221	(221)	–	211	(211)	–
Current portion of contract liabilities	i.	–	226	226	–	214	214
Deferred credits	i.	460	(18)	442	490	(21)	469
Deferred income tax liabilities		1,894	(7)	1,887	1,858	5	1,863
Contract liabilities	i.	–	18	18	–	21	21
Shareholders' equity		5,957	23	5,980	6,154	40	6,194

i) Contract assets and liabilities

Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset

Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to "Transition adjustments" for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

- IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in "Transition adjustments" below.

  IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

  - Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL
  - Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition
  - Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

  For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

  The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

  IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

  In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property, plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to "Transition adjustments" below for the impact of this change of accounting policy on previously reported consolidated Statements of Financial Position, consolidated Statements of Income and consolidated Statements of Cash Flows.

Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statements of Income for the year ended August 31, 2018.

	Year ended August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	5,239	(50)	–	5,189
Operating, general and administrative expenses	(3,150)	18	–	(3,132)
Restructuring costs	(446)	–	–	(446)
Amortization:				
Deferred equipment revenue	30	–	–	30
Deferred equipment costs	(110)	–	–	(110)
Property, plant and equipment, intangibles and other	(932)	–	(13)	(945)
Operating income from continuing operations	631	(32)	(13)	586
Amortization of financing costs – long-term debt	(3)	–	–	(3)
Interest expense	(248)	–	–	(248)
Equity income of an associate or joint venture	(200)	–	–	(200)
Other gains	29	3	–	32
Income from continuing operations before income taxes	209	(29)	(13)	167
Current income tax expense	137	–	–	137
Deferred income tax expense	6	(12)	(3)	(9)
Net income from continuing operations	66	(17)	(10)	39
Loss from discontinued operations, net of tax	(6)	–	–	(6)
Net income	60	(17)	(10)	33
Net income from continuing operations attributable to:				
Equity shareholders	66	(17)	(10)	39
Loss from discontinued operations attributable to:				
Equity shareholders	(6)	–	–	(6)
Basic earnings (loss) per share				
Continuing operations	0.11	–	–	0.06
Discontinued operations	(0.01)	–	–	(0.01)
	0.10	–	–	0.05
Diluted earnings (loss) per share				
Continuing operations	0.11	–	–	0.06
Discontinued operations	(0.01)	–	–	(0.01)
	0.10	–	–	0.05

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statement of Financial Position as at September 1, 2017 and August 31, 2018.

	As at August 31, 2018				As at September 1, 2017			
(millions of Canadian dollars)	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition
ASSETS								
Current								
Cash	384	–	–	384	507	–	–	507
Accounts receivable	255	–	(2)	253	286	–	–	286
Inventories	101	–	(40)	61	109	–	(50)	59
Other current assets	286	(13)	–	273	155	24	–	179
Current portion of contract assets	–	59	–	59	–	15	–	15
Assets held for sale	–	–	–	–	61	–	–	61
	1,026	46	(42)	1,030	1,118	39	(50)	1,107
Investments and other assets	660	–	–	660	937	–	–	937
Property, plant and equipment	4,672	–	30	4,702	4,344	–	50	4,394
Other long-term assets	300	(102)	(1)	197	255	(39)	–	216
Deferred income tax assets	4	–	–	4	4	–	–	4
Intangibles	7,482	–	–	7,482	7,435	–	–	7,435
Goodwill	280	–	–	280	280	–	–	280
Contract assets	–	76	–	76	–	44	–	44
	14,424	20	(13)	14,431	14,373	44	–	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current								
Short-term borrowings	40	–	–	40	–	–	–	–
Accounts payable and accrued liabilities	971	(1)	–	970	913	(4)	–	909
Provisions	245	–	–	245	76	–	–	76
Income taxes payable	133	–	–	133	151	–	–	151
Unearned revenue	221	(221)	–	–	211	(211)	–	–
Current portion of contract liabilities	–	226	–	226	–	214	–	214
Current portion of long-term debt	1	–	–	1	2	–	–	2
Liabilities held for sale	–	–	–	–	39	–	–	39
	1,611	4	–	1,615	1,392	(1)	–	1,391
Long-term debt	4,310	–	–	4,310	4,298	–	–	4,298
Other long-term liabilities	13	–	–	13	114	–	–	114
Provisions	179	–	–	179	67	–	–	67
Deferred credits	460	(18)	–	442	490	(21)	–	469
Contract liabilities	–	18	–	18	–	21	–	21
Deferred income tax liabilities	1,894	(7)	(3)	1,884	1,858	5	–	1,863
	8,467	(3)	(3)	8,461	8,219	4	–	8,223
Shareholders' equity								
Common and preferred shareholders	5,956	23	(10)	5,969	6,153	40	–	6,193
Non-controlling interests in subsidiaries	1	–	–	1	1	–	–	1
	5,957	23	(10)	5,970	6,154	40	–	6,194
	14,424	20	(13)	14,431	14,373	44	–	14,417

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statement of Cash Flows for the year ended August 31, 2018.

	Year ended August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
OPERATING ACTIVITIES				
Funds flow from continuing operations	1,259	(82)	–	1,177
Net change in non-cash balances related to continuing operations	102	82	(6)	178
Operating activities of discontinued operations	(2)	–	–	(2)
	1,359	–	(6)	1,353
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(1,127)	–	6	(1,121)
Additions to equipment costs (net)	(49)	–	–	(49)
Additions to other intangibles	(131)	–	–	(131)
Proceeds on sale of spectrum licenses	35	–	–	35
Purchase of spectrum licenses	(25)	–	–	(25)
Proceeds on sale of discontinued operations, net of cash sold	18	–	–	18
Net additions to investments and other assets	88	–	–	88
Proceeds on disposal of property, plant and equipment	9	–	–	9
	(1,182)	–	6	(1,176)
FINANCING ACTIVITIES				
Increase in short-term borrowings	40	–	–	40
Increase in long-term debt	10	–	–	10
Issue of Class B Non-Voting Shares	43	–	–	43
Dividends paid on Class A Shares and Class B Non-Voting Shares	(384)	–	–	(384)
Dividends paid on Preferred Shares	(8)	–	–	(8)
Other	(1)	–	–	(1)
	(300)	–	–	(300)
Increase (decrease) in cash	(123)	–	–	(123)
Cash, beginning of the period	507	–	–	507
Cash, end of the period	384	–	–	384

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company would recognize a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low-value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, upon adoption of IFRS 16, we will recognize a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense, an increase to depreciation and amortization, due to the depreciation of the right-of-use asset, and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the current standard, although actual cash flows will be unaffected, the Company's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

We do not expect significant impacts for contracts in which we are the lessor.

Implementation

We continue to make progress towards adoption of IFRS 16, including the implementation of a new lease system that enables us to comply with the requirements of the standard on a contract-by-contract basis. Changes and enhancements to business processes and systems of internal control are also being completed.

We will adopt IFRS 16 on September 1, 2019, using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. The cumulative effect of the initial application of the new standard will be recognized at the date of initial application. Generally, right-of-use assets at transition will be measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent outstanding. We do not intend to elect the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and lease-by-lease basis, respectively, in the future.

As permitted by IFRS 16, we will apply certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:

- not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component
- apply a single discount rate to a portfolio of leases with similar characteristics
- exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019
- use hindsight in determining the lease term where the contract contains purchase, extension, or termination options

Effect of Transition to IFRS 16

While our testing, data validation, and assessment process is ongoing, our preliminary estimated effect of transition to IFRS 16 on our Consolidated Statements of Financial Position as at September 1, 2019 is as follows:

(billions of Canadian dollars)	As reported as at August 31, 2019	Estimated effect of IFRS 16 transition	Subsequent to transition as at September 1, 2019
Current assets	0.3	**	0.3
Non-current assets	4.9	1.3	6.2
Current liabilities	1.3	0.2	1.5
Non-current liabilities	6.0	1.1	7.1
Shareholders' equity	6.3	**	6.3

** Amounts less than $0.1 billion.

Upon adoption of the Standard on September 1, 2019, actual amounts could differ from these preliminary estimates.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements. The Company does not expect this standard to have a material effect on its September 1, 2019 balance sheet.

RISK MANAGEMENT

In the normal course of our business activities, the Company is subject to risks. The purpose of risk management is to manage and mitigate risk, rather than to eliminate risk. The Company is committed to continually strengthening our risk management capabilities to protect and enhance value.

Risk Governance and Oversight

The Board of Directors has overall risk governance and oversight responsibilities. Specifically, the Board is responsible for identifying and assessing the principal risks inherent in the business activities of the Company and ensuring that management takes all reasonable steps to implement appropriate systems to manage such risks. The Board of Directors has delegated elements of its risk oversight responsibilities to specific Board committees. The Audit Committee is responsible for: (1) overseeing the Company's processes for identifying, assessing and managing risks; and (2) ensuring that management implements and maintains effective internal controls and procedures for identifying, assessing and managing the principal risks to the Corporation and its business. In addition, the Human Resources and Compensation Committee is responsible for ensuring that the Company's short, medium and long-term incentive plans do not incent risk-taking beyond the Company's risk tolerance.

Responsibilities for Risk Management

Responsibility for risk management is shared across our organization. Each department's operating management, led by the Company's executive team, have integrated controls and risk management practices into day-to-day activities and decision-making processes. We have risk management and compliance functions across the organization such as Finance, Privacy, Security and Risk, Legal and Regulatory, and Technology Risk Governance. The Internal Audit and Advisory Services ("IA&AS") department provides independent and objective audit and advisory services to evaluate and improve the effectiveness of the Company's governance, internal controls, disclosure processes, and risk management activities. The Audit Committee oversees the work of the IA&AS department and all reports issued by the IA&AS department. In addition, the IA&AS department's annual plan is reviewed and approved by the Audit Committee.

Enterprise Risk Management

The Audit Committee undertakes a further review of the significant corporate level risks through the Enterprise Risk Management program ("ERM"). The ERM is a performance focused process designed to identify, monitor and manage significant corporate level risks that could impact the achievement of our strategic objectives. The Company's executives meet periodically to: (1) review and update significant corporate level risks, (2) assess such corporate level risks in terms of likelihood and magnitude of impact, (3) review the response strategy, and (4) monitor progress. The latest ERM update was provided to the Board of Directors in April 2019, with updates to be provided to the Board and/or Audit Committee at least annually. The significant risks and uncertainties affecting the Company and its business are discussed under "Known Events, Trends, Risks and Uncertainties".

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements".

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services and products has blurred the traditional lines between telecommunications, Internet and distribution services and further expands the competitive landscape. Shaw may also face competition from platforms that may gain advantage through regulatory processes. While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology and customer service and through acquisitions, there can be no assurance that these investments will maintain Shaw's market share or performance in the future.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers may require substantial promotional activity and increase our cost of customer acquisition, decrease our ABPU, ARPU or all of them. We expect that competition, including aggressive discounting practices by competitors to gain market share, is likely to continue to increase for all our businesses.

Consumer Internet

Shaw competes with different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading, Internet-of-Things ("IOT"), interactive gaming, and cloud based services. As described further under "Shaw's Wireline Network", Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth. However, there can be no assurance that our investments in network capacity will continue to meet this increasing demand.

Consumer Video

Shaw's Consumer Video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated over-the-top ("OTT") video services and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer Video services. Our Video services also compete with illegal services including grey and black market satellite offerings as well as OTT video piracy services. As a result, we have experienced an increase in cord cutting and cord shaving as customers continue to withdraw from traditional cable services.

Consumer Phone

Shaw's competitors for Consumer wireline phone services include traditional telephone companies, other wireline carriers, Voice over Internet Protocol ("VoIP") providers and wireless providers. Several of these competitors have larger operational and financial resources than Shaw. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer wireline phone services.

Wireless

Freedom Mobile is a new entrant in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. Freedom Mobile's ability to continue to offer and improve Wireless services and to offer new services depends on, among other factors, continued access to, and deployment of, adequate spectrum, including the ability to both renew current spectrum licences and acquire new spectrum licences (in various spectrum bands). If Freedom Mobile cannot acquire and retain needed spectrum, it may not be able to continue to offer and improve its current wireless services and deploy new services on a timely basis, including providing competitive data speeds its customers want. As a result, Freedom Mobile's ability to attract and retain customers could be adversely affected. In addition, an inability to acquire and retain needed spectrum could affect network quality and result in higher capital expenditures. Our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies, including as a result of regulatory decisions or government policies that favour certain competitive platforms. (see "Government Regulations and Regulatory Developments – Telecommunication Act – CRTC Wireless Review").

Business Network Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Services also competes in industries that are highly competitive, rapidly evolving and subject to constant change.

Impact of Regulation

As discussed under "Government Regulations and Regulatory Developments", a majority of our Canadian business activities are subject to: (i) regulations and policies administered by ISED and/or the CRTC, and (ii) conditions of licences granted by ISED and/or the CRTC. Shaw's operations, financial results, and future prospects are affected by changes in regulations, policies and decisions, conditions of licences and decisions, including changes in interpretation of existing regulations and requirements contained in such conditions of licences by courts, the government or the regulators, in particular the CRTC, ISED, Competition Bureau and Copyright Board. These changes relate to, and may have an impact on, among other things, licensing and licence renewal, spectrum holdings, products and services, competition, programming carriage and terms of carriage, strategic transactions, and infrastructure access, and the potential for new or increased fees or costs. All such changes in the regulatory regime may have a material adverse effect on Shaw and its reputation, as well as Shaw operations, financial results and/or future prospects.

2019 Federal Election

During the recent federal election, which resulted in a minority government, several parties expressed commitments to reduce the price of mobile and internet services. The introduction of any future regulation or policy to implement such commitments could have a material adverse impact on our financial results.

Customer Experience

Shaw's customer loyalty, retention and likelihood to recommend Shaw all depend on our ability to provide a seamless connectivity experience that meets or exceeds their expectations. As part of the digital transformation, the Company modernized several aspects of its wireline operations to better meet the needs of today's customer, including shifting customer interactions to digital platforms and driving more self-help, self-install and self-service. The Company continues to streamline and simplify manual processes that improve its customers overall connectivity experience and day-to-day operations for our employees. The failure to sustain and expand customer relationships through quality products and customer service could have a material adverse effect on our businesses, financial condition and results of operations.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including its own or third party networks. Such network failures may be caused by fire damage, natural disaster, power loss, cyber attacks, human error, disabling devices, acts of war or terrorism and other events which may be beyond Shaw's control.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures the plant in its FibrePlus network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would be also limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the HFC access network is located underground.

Shaw protects its wireline network through a number of measures including physical and information technology security, and ongoing maintenance and placement of insurance on our network equipment and data centres, including the Calgary1 data centre (which was sold to a third party on August 1, 2019). In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service.

Shaw protects its wireless network and mitigates wireless network failure through physical and information technology security, ongoing maintenance, and by carrying insurance on its wireless network equipment.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various information technology (IT) systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Cyber Security Risks

Although Shaw's systems and network architecture are designed and operated to be secure, they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software or the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security within Shaw while we are monitoring the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance that Shaw will be able to protect its network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Satellite

Shaw uses three satellites (Anik F2, Anik F1R and Anik G1) owned by Telesat Canada ("Telesat") to provide satellite services in our Consumer division. In connection with the Company's digital network upgrade (DNU) program initiated in 2017, the Company has effectively optimized satellite traffic on the Anik F1R and Anik F2 satellites, enabling a reduction in the total number of transponders required by the Company to conduct its business. Effective October 1, 2019, the Company transferred its ownership interest in the 16 Anik F2 transponders, adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements in place on both Anik F1R and Anik F2 and Anik G1 until the effective end-of-life date of such satellites. While the Company intends to negotiate and enter into new capacity service agreements to meet its long term satellite capacity requirements, there can be no assurance that replacement transponder capacity will be available or that such agreements will be entered into on favourable terms, which may have a material adverse effect on customer service and customer relationships, as well as the Company's reputation, operations and/or financial results.

The Company does not maintain any insurance coverage for the transponders on Anik F1R, Anik F2 and Anik G1 as it believes the costs are uneconomic relative to the benefit which could be otherwise derived through an arrangement with Telesat. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellite, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage related to the loss of use of one or more of the transponders on the satellites as it believes that the insurance premium costs are uneconomic relative to the risk of transponder and/or satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-pre-emptible basis. The Company has the option to contract transponders with excess capacities on Anik F2, subject to availability. In the event of satellite failure, service will be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade to their video receivers or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. The Company has reserved limited access to Ku band frequencies in the 107.3 orbital location to enable the switching feature, subject to availability. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Reliance on Suppliers and Third Party Service Providers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The Company sources its customer premise, capital equipment, and capital builds as well as portions of its service offerings, including network, video delivery and IT functions from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may require us to incur additional capital expenditures for the substitution of existing products and services which could adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its operations and/or its financial results. In the course of fulfilling service arrangements, third-party service providers must ensure our information is appropriately protected and safeguarded. Failure to do so may affect Shaw through increased regulatory risk, reputational damage, and damage to customer experience.

There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Programming Expenses

Expenses for video programming continue to be one of our most significant operating expenses. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and this may have a material adverse effect on Shaw, its operations and/or its financial results.

Economic Conditions

The Canadian economy is affected by uncertainty in global financial and equity markets and slowdowns in national and/or global economic growth. Changes in economic conditions, which may differ across our regional footprint, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results.

Talent Management and Succession Planning

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services in the short to medium term. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate and retain productive and engaged employees could have a material adverse effect on Shaw, its operations and/or financial results.

To mitigate this risk, the Company's comprehensive compensation program is designed to attract, retain, motivate and reward the executive team and key employees through aligning management's interest with our business objectives and performance. Furthermore, the Company conducts annual succession planning to identify and develop key leaders to build capabilities and experiences required for the future.

Total Business Transformation and Voluntary Departure Program

In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the changing tastes and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. Three key elements of TBT are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and 3) streamline the organization that builds and services our network. As part of the TBT initiative, the Company also plans to reduce input costs, consolidate functions, and streamline processes, which is expected to create operational improvements across the business allowing it to evolve into a more efficient organization.

There is an overall risk that the TBT initiative may not be completed in a timely and cost-effective manner to yield the expected results and benefits or result in a leaner, more integrated and agile company with improved efficiencies and execution to better meet its consumers' needs and expectations (including the products and services offered to its customers). Specifically, there is a risk that the Company may not be able to: (i) establish and continue to upgrade a digital platform that will effectively engage customers, (ii) successfully adopt a digital platform that will yield the expected results and benefits, including maintaining the quality of customer service, protecting the security of customer information, and coordinating the delivery of product and service offerings; (iii) deploy programs that will result in customers using the self-serve functions and electing to self-install the Company's products and services; and (iv) consolidate and streamline the functions and processes of the divisions responsible for building and servicing its networks. The realization of any of these risks may have a material adverse effect on Shaw, its operations and/or financial results.

As a first step in the TBT, the VDP was offered to eligible employees. The outcome of the program initially had approximately 3,300 Shaw employees accepting the VDP package representing approximately 25% of all employees at that time. The Company's VDP continued in fiscal 2019, which resulted in approximately 1,000 employees exiting the Company for a total of approximately 2,300 employees since inception. In fiscal 2019, approximately 90 employees either rescinded their acceptance of the VDP package with the approval of the Company or declined their package in order to expedite their departure date. As part of the program design, the majority of customer-facing employees (i.e. Customer Care, Retail, Sales) were not eligible to participate in the VDP. A large portion of employees who elected to participate in the VDP are in functions that will be addressed through the aforementioned key elements of the TBT and Shaw has control over the timing of employee departures across the Company through an actively managed, orderly transition over an 18-month period. In select functions, the Company determined that some employees will transition over a 24-month period, an extension from the 18-month period initially expected. With remaining employees expected to depart in fiscal 2020, there is a risk that the Company may not be able to: (i) complete the employee exits with minimal impact on business operations within the anticipated timeframes and for the budgeted amounts, (ii) replace or outsource the functions performed by certain key employees that have accepted the VDP package in a manner that aligns with customer expectations which may have a material adverse effect on the Company's business operations, (iii) continue to operate the business in the normal course, and maintain or improve customer services, (iv) maintain employee morale as a result of the organizational changes, staff and cost reductions; (v) ensure that the staff reductions will reduce costs, and achieve the financial goals, cost competitiveness and profitability required to be attractive to investors. In addition, there can be no assurance that restructuring costs of the VDP will be limited to the budgeted amounts or that the expected annualized cost reductions from the VDP (including reductions in operating and capital expenditures will be realized within the expected time frames or at all). The realization of any of these risks may have a material adverse effect on Shaw, its operations and/or financial results.

Labour Relations

As of August 31, 2019, approximately 5.5% of our employees are represented by unions under collective bargaining agreements. While the Company strives to maintain positive labour relations, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations and reputation. Even if the Company does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs could be limited by the terms of such collective bargaining agreements.

There has been a significant amount of change across the organization in connection with the VDP and our TBT initiative. To support all leaders and employees, we continually listen to remove barriers and respond in real-time to needs and concerns. We also continue to provide support for leaders on how to manage change and maintain positive employee engagement and relations.

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) **Interest rates:** Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets. These are more fully described in Note 14 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are all fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

As at August 31, 2019, virtually all of Shaw's consolidated long-term debt was fixed with respect to interest rates.

(b) **Capital markets:** Shaw requires ongoing access to capital markets to support our operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a mix of fixed and floating rate debt. Interest on the Company's unsecured banking facility and the recently implemented accounts receivable securitization program are based on floating rates, while the senior notes are all fixed rate obligations.

The Company may also enter into forward contracts to mitigate its exposure to foreign exchange and interest rate risk. While hedging and other efforts to manage these risks are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. For instance, if Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its swap agreements, Shaw assesses the creditworthiness of its swap counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 30 to the Consolidated Financial Statements.

Inventory

Our Wireless division's inventory balance consists of devices which generally have short product lifecycles due to frequent new device introductions. The failure to effectively manage inventory levels based on product demand may increase the risk of inventory obsolescence, which may have a material adverse effect on Shaw's operations and/or financial results.

Similar to other wireless service providers, Shaw substantially subsidizes the cost of subscriber devices to attract customers to sign a term contract with Freedom Mobile. Shaw also commits to a minimum subsidy per unit with certain suppliers of devices. There is a risk that Shaw may be unable to recover the costs of subsidies over the term of the customer contract which could have a material adverse effect on our business, operations or financial results.

Impacts of Climate Change

Global climate change is an important consideration for Shaw. Climate change may increase the severity and frequency of natural threats on our business, including weather-related events, which may require us to protect, test, maintain, repair and replace our networks, IT systems, equipment and other infrastructure. For example:

- increased temperatures could impact our networks, IT systems, equipment and other infrastructure which could require the installation of additional cooling devices;
- ice storms or extreme precipitations could have a negative impact on our physical network, equipment and other infrastructure which could affect our delivery of service;
- flooding, hurricanes, tornados, and tsunamis could impact or destroy our facilities or network, equipment, and other infrastructure and will increase our insurance related expenses;
- climate change related impacts to our key suppliers could adversely affect their ability to supply us with required products and services; and
- We may be required to incur additional capital expenditures from substitution of existing products and services with lower emissions options.

The occurrence of any of these events could have a material adverse effect on our operations and/or financial results. See also "Network Failure" risks below which could increase in severity and/or frequency as a result of climate change related natural disasters.

Although we have business continuity and disaster recovery plans and strategies in place, the failure of any of our climate change mitigation and adaptation efforts (including response strategies and business continuity protocols) may affect our business through potential disruption of our operations, damage to our facilities and infrastructure, and affect the communities that we serve (which may have a material adverse effect on Shaw and its reputation, as well as its operations, prospects and/or financial results).

Global climate change is drawing more attention through evolving public interest. Many aspects of our operations are subject to evolving and increasingly stringent federal, provincial, and local environmental, health, and safety laws and regulations. These laws and regulations impose requirements with respect to matters such as fuel storage, the recovery and recycling of end-of-life electronic products, greenhouse gas emissions, the release of substances into the environment, corrective and remedial action concerning such releases, and the proper handling, management and disposal of substances. These evolving considerations and more stringent laws and regulations could lead to increased costs for compliance and utilities, which could be material. Failure to recognize and adequately respond to changing environmental matters and expectations, or to comply with environmental laws and regulations, could result in fines, new regulatory obligations and associated costs, or damage to our reputation or brand any of which could have a material adverse effect on our operations and/or financial results. As we self-insure our FibrePlus network, we have limited insurance coverage against the losses resulting from natural disasters affecting our networks which covers our network equipment and data centres (for further detail see "Network Failure" above).

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business, whether in Canada or the US. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division and our Shaw Go WiFi operations. Some studies have alleged that links exist between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. The Company complies with all applicable laws and regulations. Further, the Company relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share and quarterly preferred share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to stabilize dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the

Company will continue common or preferred share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

Holding Company Structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Class A participating shares ("Class A Shares") are the only shares entitled to vote on all shareholder matters. Voting control of the Company is held by SFLT and its subsidiaries, which hold, for the benefit of descendants of JR and Carol Shaw, 17,562,400 Class A Shares, being approximately 79% of the issued and outstanding shares of such class as at August 31, 2019. The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw (chair), Bradley S. Shaw, four other members of JR Shaw's family, and one independent director. Accordingly, JR Shaw, through SFLT, its subsidiaries and its trustee, is able to elect a majority of the Board of Directors of the Company and to control any vote by the holders of Class A Shares.

DISCUSSION OF OPERATIONS AND FOURTH QUARTER

To comply with the requirements of Items 1.4 (Discussion of Operations) and 1.10 (Fourth Quarter) of Form 51-102F1 of National Instrument 51-102, the sections entitled "Discussion of Operations" and "Overview" in the Company's Management's Discussion and Analysis for the fourth quarter and year ended August 31, 2019 (the "**2019 Fourth Quarter MD&A**") are incorporated by reference herein. The 2019 Fourth Quarter MD&A can be found on SEDAR at www.sedar.com. Certain figures included within this Annual Report have been adjusted to correct an immaterial, inadvertent overstatement of previously reported wireless service revenue for the year ended August 31, 2019 of $7 million (Q1 $1 million; Q2 $1 million; Q3 $2 million; Q4 $3 million).

SUMMARY OF QUARTERLY RESULTS

Quarter	Revenue	Operating income before restructuring costs and amortization[2]	Net income from continuing operations attributable to equity shareholders	Net income attributable to equity shareholders	Net income[3]	Basic earnings per share from continuing operations	Diluted earnings per share from continuing operations	Basic earnings per share	Diluted earnings per share
(millions of Canadian dollars except per share amounts)									
2019									
Fourth	**1,349**	**534**	**165**	**165**	**165**	**0.31**	**0.31**	**0.31**	**0.31**
Third	**1,322**	**528**	**226**	**226**	**228**	**0.44**	**0.44**	**0.44**	**0.44**
Second	**1,315**	**548**	**154**	**154**	**154**	**0.30**	**0.30**	**0.30**	**0.30**
First	**1,354**	**544**	**186**	**186**	**186**	**0.36**	**0.36**	**0.36**	**0.36**
Total	**5,340**	**2,154**	**731**	**731**	**733**	**1.41**	**1.41**	**1.41**	**1.41**
2018									
Fourth [1]	1,326	556	196	196	196	0.38	0.38	0.38	0.38
Third [1]	1,289	538	(99)	(99)	(99)	(0.20)	(0.20)	(0.20)	(0.20)
Second [1]	1,329	483	(175)	(175)	(175)	(0.35)	(0.35)	(0.35)	(0.35)
First [1]	1,245	480	117	111	111	0.23	0.23	0.22	0.22
Total	5,189	2,057	39	33	33	0.06	0.06	0.05	0.05

(1) Fiscal 2018 reported figures have been restated applying IFRS 15 and also reflect a change in accounting policy. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

(2) See definition and discussion under "Non-IFRS and additional GAAP measures."

(3) Net income attributable to both equity shareholders and non-controlling interests.

F19 Q4 **vs** F19 Q3	In the fourth quarter of fiscal 2019, net income decreased $63 million compared to the third quarter of fiscal 2019 mainly due to a $21 million increase in current taxes in the fourth quarter, a $41 million gain on the disposal of property, plant and equipment to a related party, a $15 million gain on the sale of a portfolio investment, and the $102 million impact of a tax rate change on deferred taxes partially offset by a $109 million loss on the disposal of the Company's entire equity investment in Corus all recorded in the third quarter.
F19 Q3 **vs** F19 Q2	In the third quarter of fiscal 2019, net income increased $74 million compared to the second quarter of fiscal 2019 mainly due to a $41 million gain on the disposal of property, plant and equipment to a related party, a $15 million gain on the sale of a portfolio investment and the $102 million impact of a tax rate change on deferred taxes partially offset by a $109 million loss on the disposal of the Company's investment in Corus all recorded in the third quarter.
F19 Q2 **vs** F19 Q1	In the second quarter of fiscal 2019, net income decreased $32 million compared to the first quarter of fiscal 2019 mainly due to a $20 million decrease in equity income related to the Company's investment in Corus in the quarter and higher income taxes.
F19 Q1 **vs** F18 Q4	In the first quarter of fiscal 2019, net income decreased $10 million compared to the fourth quarter of fiscal 2018 mainly due to a $12 million decrease in operating income before restructuring costs and amortization and a decrease in other gains mainly related to a $16 million gain on the sale of certain wireless spectrum licenses in the fourth quarter of fiscal 2018. These decreases were partially offset by a $10 million increase in equity income related to the Company's investment in Corus in the first quarter.
F18 Q4 **vs** F18 Q3	In the fourth quarter of fiscal 2018, net income improved by $293 million compared to the third quarter of fiscal 2018 primarily due to an impairment charge of $284 million related to the Company's investment in Corus recorded in the prior quarter.
F18 Q3 **vs** F18 Q2	In the third quarter of fiscal 2018, the net loss decreased $76 million compared to the second quarter of fiscal 2018 mainly due to a decrease in the third quarter restructuring costs of $404 million and an increase in operating income before restructuring costs and amortization. The increase was partially offset by impairment charge of $284 million in the third quarter related to the Company's investment in Corus and higher income taxes.
F18 Q2 **vs** F18 Q1	In the second quarter of fiscal 2018, net income decreased $286 million compared to the first quarter of fiscal 2018 mainly due to $417 million of restructuring costs recorded during the quarter related to the Company's TBT initiative which is composed primarily of the costs associated with the VDP, including severance and other employee related costs. The decrease was partially offset by increased wireless revenues of $93 million.
F18 Q1 **vs** F17 Q4	In the first quarter of fiscal 2018, net income decreased $370 million compared to the fourth quarter of fiscal 2017 mainly due to the $330 million gain on divestiture, net of tax, of ViaWest, as well as an $11 million non-operating provision recovery in the prior quarter.

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Our Video subscriber activity is influenced by cord shaving and cord cutting trends, which has resulted in fewer subscribers watching traditional cable TV, as well as a lower number of TV subscribers. In addition, trends in the use of wireless products and Internet or social media as substitutes for traditional home phone products have resulted in fewer Phone subscribers. Satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods, and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of Wireless competitive activity as a result of back to school and holiday season-related consumer behavior. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireline, Satellite, Wireless or Data Centre businesses do not depend on any single customer or concentration of customers.

The following further assists in explaining the trend of quarterly revenue and operating income before restructuring costs and amortization:

Growth (losses) in subscriber statistics as follows:

	2019					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	**1,585,232**	**(23,768)**	**(28,953)**	**(24,303)**	**(29,837)**	**1,478,371**
Video – Satellite	**750,403**	**(28,893)**	**(9,627)**	**3,134**	**(11,794)**	**703,223**
Internet	**1,876,944**	**5,606**	**11,105**	**6,647**	**11,401**	**1,911,703**
Phone	**853,847**	**(15,957)**	**(20,916)**	**(21,517)**	**(27,712)**	**767,745**
Total Consumer	**5,066,426**	**(63,012)**	**(48,391)**	**(36,039)**	**(57,942)**	**4,861,042**
Video – Cable	**49,606**	**(254)**	**(1,465)**	**(4,301)**	**(1,743)**	**41,843**
Video – Satellite	**34,831**	**558**	**830**	**(626)**	**63**	**35,656**
Internet	**172,859**	**1,248**	**(1,440)**	**427**	**592**	**173,686**
Phone	**354,912**	**8,649**	**5,836**	**5,368**	**4,669**	**379,434**
Total Business	**612,208**	**10,201**	**3,761**	**868**	**3,581**	**630,619**
Total Wireline	**5,678,634**	**(52,811)**	**(44,630)**	**(35,171)**	**(54,361)**	**5,491,661**
Wireless – Postpaid [(1)]	**1,029,720**	**86,067**	**64,670**	**61,279**	**75,913**	**1,313,828**
Wireless – Prepaid [(1)]	**373,138**	**(20,452)**	**(16,887)**	**820**	**14,831**	**344,357**
Total Wireless	**1,402,858**	**65,615**	**47,783**	**62,099**	**90,744**	**1,658,185**
Total Subscribers	**7,081,492**	**12,804**	**3,153**	**26,928**	**36,383**	**7,149,846**

	2018					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	1,671,277	(18,008)	(17,715)	(16,332)	(33,990)	1,585,232
Video – Satellite	773,542	(20,505)	(4,301)	9,066	(7,399)	750,403
Internet	1,861,009	17,694	5,476	(3,754)	(3,481)	1,876,944
Phone	925,531	(17,418)	(14,842)	(13,264)	(26,160)	853,847
Total Consumer	5,231,359	(38,237)	(31,382)	(24,284)	(71,030)	5,066,426
Video – Cable	51,039	(705)	(400)	(251)	(77)	49,606
Video – Satellite	31,535	(512)	1,330	531	1,947	34,831
Internet	170,644	(494)	162	813	1,734	172,859
Phone	327,199	6,097	4,655	8,766	8,195	354,912
Total Business	580,417	4,386	5,747	9,859	11,799	612,208
Total Wireline	5,811,776	(33,851)	(25,635)	(14,425)	(59,231)	5,678,634
Wireless – Postpaid	764,091	33,050	93,508	54,189	84,882	1,029,720
Wireless – Prepaid	383,082	1,260	(3,806)	(7,530)	132	373,138
Total Wireless	1,147,173	34,310	89,702	46,659	85,014	1,402,858
Total Subscribers	**6,958,949**	**459**	**64,067**	**32,234**	**25,783**	**7,081,492**

(1) The Company reduced the August 31, 2019 ending balance by 10,914 due to account cancellations dating back to 2016 previously not reported. The cancellations were comprised of 3,821 postpaid and 7,093 prepaid subscribers. In the Company's view, the cancellations were not significant in relation to previously reported amounts.

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2019 CONSOLIDATED RESULTS

(millions of Canadian dollars except per share amounts)	2019	2018 (restated)[1]	Change %	2018 (as reported)	2017	Change %
Operations:						
Revenue	**5,340**	5,189	2.9	5,239	4,882	7.3
Operating income before restructuring costs and amortization [2]	**2,154**	2,057	4.7	2,089	1,997	4.6
Operating margin [2]	**40.3%**	39.6%	1.8	39.9%	40.9%	(2.5)
Funds flow from continuing operations [3]	**1,777**	1,177	51.0	1,259	1,530	(17.7)
Net income from continuing operations	**733**	39	>100.0	66	557	(88.2)
Income (loss) from discontinued operations, net of tax	**–**	(6)	(100.0)	(6)	294	>(100.0)
Net income	**733**	33	>100.0	60	851	(92.9)
Free cash flow [2]	**538**	385	39.7	411	438	(6.2)
Balance sheet:						
Total assets	**15,646**	14,431		14,424	14,373	
Long-term financial liabilities						
Long-term debt (including current portion)	**5,308**	4,311		4,311	4,300	
Other financial liabilities	**–**	–		–	1	
Per share data:						
Basic earnings per share						
Continuing operations	**1.41**	0.06		0.11	1.12	
Discontinued operations	–	(0.01)		(0.01)	0.60	
	1.41	0.05		0.10	1.72	
Diluted earnings per share						
Continuing operations	**1.41**	0.06		0.11	1.11	
Discontinued operations	**–**	(0.01)		(0.01)	0.60	
	1.41	0.05		0.10	1.71	
Weighted average number of participating shares outstanding during period (millions)	**511**	502		502	491	
Cash dividends declared per share						
Class A	**1.1825**	1.1825		1.1825	1.1825	
Class B	**1.1850**	1.1850		1.1850	1.1850	

(1) Fiscal 2018 reported figures have been restated applying IFRS 15. Comparative fiscal 2017 results have not been restated. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.
(2) Refer to key performance drivers.
(3) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Fiscal 2019 Developments

- Revenue for fiscal 2019 increased 2.9% to $5.34 billion from $5.19 billion in fiscal 2018.
- Operating income before restructuring costs and amortization of $2.15 billion in fiscal 2019 was up 4.7% over the prior year's $2.06 billion.
- Net income was $733 million for fiscal 2019 compared to $33 million in fiscal 2018.
- Earnings per share were $1.41 in fiscal 2019 compared to $0.05 in fiscal 2018.
- Consolidated free cash flow in fiscal 2019 was $538 million compared to $385 million in fiscal 2018.

- During 2019, the Company's dividend rates on Shaw's Class A Shares and Class B Non-Voting Shares were $1.1825 and $1.1850, respectively. Dividends paid in fiscal 2019 were $606 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

- The Company's voluntary departure program, or VDP, continued in fiscal 2019, resulting in approximately 1,000 employees exiting the Company in fiscal 2019 bringing the total to approximately 2,300 employees since the program commenced in March 2018. As of November 15, 2019, approximately 2,700 employees had departed the Company pursuant to the VDP, which is approximately 84% complete.
- As the VDP approaches completion, the total restructuring charge is now expected to total approximately $437 million as approximately 90 employees either rescinded their acceptance of the VDP package with the approval of the Company or declined their package in order to expedite their departure date resulting in a $10 million recovery in fiscal 2019.
- The anticipated annualized savings related to the VDP to be fully realized in fiscal 2020 are expected to be approximately $200 million (with approximately $125 million attributable to operating expenses and approximately $75 million attributable to capital expenditures) which is materially in line with the original estimate of $215 million. In fiscal 2019, VDP related cost savings totaled $135 million, of which $98 million were attributed to operating expenses and $37 million were attributed to capital expenditures. (For further detail, see "Total Business Transformation").
- On May 31, 2019, the Company completed its secondary offering of 80,630,383 Corus Class B non-voting participating shares of Corus at a price of $6.80 per share, representing approximately 39% of the outstanding Corus Class B non-voting participating shares for net proceeds to the Company of approximately $526 million. Shaw no longer holds any equity interest in Corus.

Financing Activities

- On November 2, 2018, the Company closed its offering of $1 billion of senior notes, comprised of $500 million principal amount of 3.80% senior notes due 2023 and $500 million principal amount of 4.40% senior notes due 2028.
- On November 21, 2018, the Company amended its $1.5 billion credit facility to extend the maturity date by two years, to December 22, 2023. The credit facility can be used for working capital and general corporate purposes.
- Effective May 29, 2019, the Company amended the terms of its accounts receivable securitization program with a Canadian financial institution to extend the term to May 29, 2022 and increase sales committed up to a maximum of $200 million. As at August 31, 2019, $40 million was drawn under the program. On November 1, 2019, the Company drew an additional $80 million bringing the total amount drawn under the program to $120 million.
- On October 1, 2019, the Company repaid $1.25 billion 5.65% senior notes.
- On October 25, 2019, in accordance with the terms of its DRIP, the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company will reduce the DRIP discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to DRIP will apply to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.
- On October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Non-Voting Shares, representing 5% of all of the issued and outstanding Class B Non-Voting Shares. As of November 15, 2019, the Company has purchased 483,428 Class B Non-Voting Shares for cancellation for a total cost of approximately $13 million under the NCIB.
- On November 21, 2019, the Company extended the term of its five-year $1.5 billion bank credit facility from December 2023 to December 2024. This credit facility is used for working capital and general corporate purposes.

Wireless – Freedom Mobile

- In fiscal 2019, Freedom Mobile added over 266,000 subscribers which was complemented, on an annual basis, by ABPU improvement of 6.3% (to $41.67) and service revenue growth of 23% (to $694 million) compared to fiscal 2018. The performance reflects the increased number of customers subscribing to higher value service plans and purchasing devices from Freedom Mobile.

- During 2019, Freedom Mobile continued to roll-out of its Extended Range LTE in Calgary, Edmonton, Vancouver, and the GTA, which leverages our 700 MHz spectrum, to provide customers with improved in-building service as well as extending service at the edge of the coverage service area. The Company continues to focus on improving its customer experience through the deployment of the 700 MHz spectrum which is expected to continue throughout fiscal 2020, resulting in a 22-basis point reduction year-over-year in post-paid customer churn to 1.32%.
- On February 28, 2019, the CRTC issued the Notice of Consultation (the "Notice") for its anticipated review of the regulatory framework for mobile wireless services in Canada. The Notice conveys the CRTC's preliminary view that it would be appropriate to mandate wholesale mobile virtual network operators ("MVNOs") access to the networks of the national incumbents. The CRTC's determinations on these and other questions in the Notice could affect Shaw's ability to compete in the mobile wireless market. (For further details see "Government Regulations and Regulatory Developments – CRTC Wireless Review").
- In the third quarter of fiscal 2019, Freedom Mobile introduced new prepaid service plans that better aligned with current market offers resulting in a significant year-over-year improvement in prepaid market performance. Freedom Mobile also finalized an agreement with a third national retail partner, Mobilinq, to launch prepaid services in approximately 50 of its stores. At the end of fiscal 2019, Freedom had over 650 points of retail distribution.
- On April 10, 2019, Freedom Mobile successfully acquired 11 paired blocks of 20-year 600 MHz spectrum, across its wireless operating footprint, for a total purchase price of $492 million, or $0.78 per MHz-Pop. The spectrum acquisition rights secured through the 600 MHz auction include 30 MHz across each of British Columbia, Alberta, and Southern Ontario as well as 20 MHz in Eastern Ontario. These licences were issued for a 20-year term, expiring in 2039.
- In fiscal 2019, Freedom Mobile expanded its network through the launch of 19 new communities in Alberta, British Columbia, and Ontario.

Wireline – Consumer & Business

- In fiscal 2019, the Company completed the activation of the next generation of cable access technology known as DOCSIS 3.1. Powered by our latest generation of DOCSIS 3.1 enabled Cable modem, the XB6, the upgrade allowed us to launch our Internet 600 consumer speed tier and our 1 Gbps business speed tier across virtually all of our Western Canadian cable footprint.
- In November 2018, the Company doubled internet speeds of its top residential tiers, Internet 150 and Internet 300 to Internet 300 to Internet 600, respectively.
- In April 2019, the Company unveiled Shaw BlueCurve, a technology that provides customers greater control over their home Wi-Fi experience through the BlueCurve Home App and Pods. Shaw Blue Curve is a simple and powerful new technology that gives customers more coverage and greater control over their home Wi-Fi experience while at the same time helping redefine their relationship with in-home connected devices. The Shaw Blue Curve app is the latest innovative product that the Company has introduced to the market, through its partnership with Comcast Corporation, and it is available with Shaw's BlueCurve modem – the hub of our customers' in-home content and connectivity experience. Shaw BlueCurve Pods expand in-home coverage by creating a mesh Wi-Fi network which blankets our customer's home with wireless coverage and reduces the challenges of Wi-Fi deadspots.
- Building on the BlueCurve gateway modem, the Company launched internet protocol television, or IPTV in Calgary in May and continues to expand this service, which is available across 70% of its Western Canadian cable footprint. The Company expects to complete the roll-out over the next several months.
- In January 2019, Shaw Business launched 100 Mbps symmetrical private data connections to over 300,000 business locations in western Canada with the next generation Ethernet over DOCSIS technology.
- In March 2019, Shaw Business:
    - launched its fastest Internet tier in select areas – with download speeds of up to 1 Gbps paired with upload speeds of up to 125 Mbps allowing businesses of all sizes to get the bandwidth they need and ensure their employees and guests can get the most out of their connectivity experience; and
    - doubled the speeds of eligible Shaw Business Internet and Smart WiFi 150 and 300 customers to Shaw Business Internet and Smart WiFi 300 and 600, respectively.

- On August 1, 2019, the Company completed the sale of the assets of the Shaw Calgary1 data center, including all of the contractual relationships residing in the facility and the existing operational and sales teams, to a third party.
- On August 15, 2019, the CRTC issued Telecom Order 2019-288 (the "Order"), which set the Company's final wholesale high speed service ("HSA") rates. The final rates were significantly lower than the interim rates set in October 2016, and retroactive to January 31, 2017. On September 13, 2019, the Company jointly with Cogeco, Eastlink, Rogers, and Videotron (the "Cable Carriers") filed a motion for leave to appeal the Order with the Federal Court of Appeal, as well as a motion to stay the Order, pending the final Judgment on the appeal (if leave is granted). On November 22, 2019, the motion for leave to appeal the order, as well as the motion to stay the order pending final judgement on the appeal was granted. As well, on November 13, 2019, the Cable Carriers filed a petition requesting that the Cabinet order the CRTC to rescind the Order. A decision on whether to vary, rescind or refer the Order back to the Commission must be made within one year from the date of the Order. (For further detail, see "Government Regulations and Regulatory Developments – Third Party Internet Access").

Fiscal 2018 Highlights

- Revenue for fiscal 2018 improved 7.3% to $5.24 billion from $4.88 billion in fiscal 2017.
- Operating income before restructuring costs and amortization of $2.09 billion in fiscal 2018 was up 4.6% over fiscal 2017's $2.0 billion.
- Net income was $60 million for fiscal 2018 compared to $851 million in fiscal 2017.
- Earnings per share were $0.10 in fiscal 2018 compared to $1.72 in fiscal 2017.
- Consolidated free cash flow in fiscal 2018 was $411 million compared to $438 million in fiscal 2017.
- During 2018, the Company's dividend rates on Shaw's Class A Shares and Class B Non-Voting Shares were $1.1825 and $1.1850, respectively. Dividends paid in fiscal 2018 were $605 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

- In the first quarter of fiscal 2018, Shaw changed the structure of its operating divisions to improve overall efficiency while enhancing its ability to grow as a leading Canadian connectivity company. Shaw's previously existing Consumer and Business Network Services divisions were combined to form a new Wireline division with no changes to the existing Wireless division.
- In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the evolving needs and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. Three key elements of the transformation are to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and, 3) streamline the organization that builds and services the networks.
- As a first step in the TBT, a voluntary departure program, or VDP, was offered to eligible employees resulting in approximately 1,300 employees departing the Company in fiscal 2018.
- In fiscal 2018, the Company incurred a total restructuring charge of $446 million related to severance and other employee related costs, as well as additional costs directly associated with the TBT initiative. VDP related cost reductions in fiscal 2018 totaled $47 million, of which $39 million were attributed to operating expenses and $8 million attributed to capital expenditures. (For further detail see "Total Business Transformation").
- In the third quarter of fiscal 2018, the Company incurred an impairment charge of $284 million related to its investment in Corus.

Financing Activities

- On June 19, 2018, the Company established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program up to a maximum of $100 million. As at August 31, 2018, $40 million had been drawn under the program.

Wireless – Freedom Mobile

- In fiscal 2018, Freedom Mobile added over 255,000 subscribers which was complemented, on an annual basis, by an ABPU improvement of 6.1% (to $39.26) over fiscal 2017, reflecting the appeal of its differentiated value proposition.
- In October 2017, Freedom Mobile launched the Big Gig data plans, targeting a data-centric customer with 10 GB of data for only $50 per month – unlike any other plan offered in Canada at that time.
- In November 2017, Freedom Mobile began pre-selling iPhone X, iPhone 8 and 8 Plus at all Freedom Mobile retail locations across Canada.
- In the second quarter of fiscal 2018, the Company completed the re-farm of 10 MHz of AWS-1 spectrum across Freedom Mobile's footprint, significantly expanding Freedom Mobile's addressable market as the AWS-1 spectrum supports nearly all LTE devices currently in use in Canada.
- In May 2018, the Company completed its first successful 5G trials in Calgary by leveraging 28GHz mm wave and 3.5GHz spectrum in collaboration with Nokia, CableLabs and Rode & Schwarz.
- In fiscal 2018, the Company successfully upgraded and deployed 2500 MHz spectrum in high traffic sites in the GTA, Calgary, Edmonton, and Vancouver and commenced the deployment of 700 MHz spectrum later in the year. This step, the deployment of the 2500 MHz spectrum, along with the completion of the re-farming of 10 MHz of the Company's existing AWS-1 spectrum to LTE in the second quarter of fiscal 2018, resulted in a large majority of the Company's existing customers migrating from 3G to LTE service using their existing devices.
- In the fourth quarter of fiscal 2018, the Company launched voice over LTE, or VoLTE, nationwide across all three of its LTE spectrum bands – AWS-1, AWS-3, and 2500 MHz – offering customers with compatible devices a significant improvement in voice quality and a reduction in call set-up time.
- During 2018, Freedom Mobile continued to expand its retail network by entering into distribution agreements with Loblaws and Walmart. Freedom Mobile products and services are currently being distributed in approximately 100 Loblaws' "The Mobile Shop" locations and approximately 140 Walmart locations throughout Ontario, Alberta and British Columbia.

Wireline – Consumer & Business

- On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs LLC for proceeds of approximately US$20 million.
- In December 2017, Shaw Business launched SmartSurveillance, an enterprise-grade managed video surveillance solution designed to help owners monitor and protect their businesses while providing valuable analytical insights.
- In the third quarter of fiscal 2018, the Company deployed the latest DOCSIS 3.1 advanced XB6 Wi-Fi modem, powered by Comcast, which enabled faster internet speeds, supported more devices and ensured a stronger in-home internet connection. DOCSIS 3.1 represents the latest development in a set of technologies that increase the capability of a hybrid fibre-coax network to transmit data both to and from customer premises.
- During fiscal 2018, the Company continued to improve its BlueSky platform, powered by Comcast's next generation X1 platform, which features a voice controlled remote and advanced search, by integrating both Netflix and YouTube seamlessly with live TV, video-on-demand and recorded content.
- In July 2018, the Company launched Internet 300 with download speeds of up to 300 Mbps:
  - The Consumer division launched Internet 300 with unlimited data available across virtually all of Shaw's Western Canadian footprint.
  - Shaw Business launched:
    - Internet 300 with unlimited data, which made it easier for Shaw Business customers to share files through cloud storage services, video conference with colleagues, and operate point of sale systems more efficiently; and
    - SmartWiFi 300, an enterprise-grade WiFi solution, that provides simultaneous device connections, instant analytics, 3 separate networks, and bandwidth allocation (to monitor and limit usage for heavy data users).

Fiscal 2017 Highlights

- Revenue for fiscal 2017 improved 8.1% to $4.88 billion from $4.52 billion in fiscal 2016.
- Operating income before restructuring costs and amortization of $2.0 billion in fiscal 2017 was up 1.0% over prior year's $1.98 billion.
- Net income was $851 million for fiscal 2017 compared to $1.24 billion in fiscal 2016.
- Earnings per share were $1.72 in fiscal 2017 compared to $2.51 in fiscal 2016.
- Consolidated free cash flow in fiscal 2017 was $438 million compared to $482 million in fiscal 2016.
- During 2017, the Company's dividend rates on Shaw's Class A Shares and Class B Non-Voting Shares were $1.1825 and $1.1850, respectively. Dividends paid in 2017 were $595 million gross of amounts attributed to the dividend reinvestment plan.

Corporate

- On August 1, 2017, the Company sold 100% of its wholly-owned subsidiary ViaWest, Inc. and its subsidiaries (collectively, "ViaWest") for approximately US$1.675 billion in cash.
- The Company enhanced its wireless network capabilities through the acquisition of wireless spectrum licences from Quebecor on July 24, 2017 for $430 million. The acquired spectrum licences comprise 10 MHz licences of 700 MHz spectrum in each of British Columbia, Alberta and Southern Ontario, as well as the 20 MHz licences of the 2500 MHz spectrum in each of Vancouver, Edmonton, Calgary and Toronto.

Financing Activities

- On December 15, 2016, the Company extended the term of its five-year $1.5 billion bank credit facility from December 2019 to December 2021. This credit facility is used for working capital and general corporate purposes.
- The Company conducted a number of capital market activities, including:
  - the extension of its dividend reinvestment plan in respect of its Class A Shares and Class B Non-Voting Shares to eligible shareholders who are residents of the United States;
  - the issuance of 3.80% $300 million senior unsecured notes due March 1, 2027;
  - the repayment of $400 million senior unsecured notes due March 2, 2017; and
  - the repayment of US$846 million in borrowings under the Company's and ViaWest's credit facilities related to the sale of ViaWest.
- The Company participated in Corus' dividend reinvestment program for its initial investment in Corus Class B non-voting participating shares until September 1, 2017.

Wireless – Freedom Mobile

- The Company continued to improve its network performance with the rollout of Freedom Mobile's LTE-Advanced network to all its existing markets, on schedule and on budget, as of the end of fiscal 2017.
- Freedom Mobile's handset lineup continued to expand in fiscal 2017, with Apple, LG, Samsung, Sony and ZTE all being compatible with its AWS-3 LTE network.

Wireline – Consumer & Business

- In fiscal 2017, the Company began to deploy its newest generation of cable modem termination system equipment referred to as the Converged Cable Access Platform ("CCAP") into its serving hubs. CCAP significantly enhances the capabilities of Shaw's cable network and enabling it to leverage the next generation of cable access technology known as DOCSIS 3.1.
- shomi, the over-the-top streaming platform that launched as a joint venture of Shaw and Rogers in fiscal 2015 was wound down with its operations and service ending on November 30, 2016.
- The Company launched the market leading BlueSky TV, which is based on Comcast's X1 video platform. BlueSky TV was launched in phases, with the initial launch in Calgary followed by the Vancouver launch in February and the national launch in April 2017.
- The Company continued to expand its Shaw Go WiFi build-out. As at August 31, 2017, the Company had approximately 100,000 Shaw Go WiFi access points installed and operating throughout the network and over 3.3 million devices using Shaw Go WiFi. Moreover, the Company has leveraged its Wi-Fi access points to improve network coverage for Freedom Mobile customers which represents an important step in Shaw's converged network strategy.

Revenue and operating income before restructuring costs and amortization

Shaw delivered full year fiscal 2019 financial results that met its guidance. Operating income before restructuring costs and amortization of $2,154 million in fiscal 2019 increased 4.7% over fiscal 2018 and was in line with the targeted increase of 4% to 6%. For further discussion of divisional performance see "Segmented Operations Review."

Consolidated revenue of $5.34 billion for fiscal 2019 improved 2.9% over $5.19 billion for fiscal 2018. Revenue improved primarily due to the Wireless division contributing revenues of $1,047 million in fiscal 2019 as compared to $901 million in the prior year. The year-over-year improvement in Wireless revenue of $146 million or 16.2% reflects higher service revenues of $130 million and higher equipment revenues of $16 million driven primarily by added postpaid RGUs, higher ARPU, and higher ABPU. Excluding the results of the Wireless division, revenue for the twelve-month period for the Wireline division was up $8 million or 0.2%. Customer acquisition and rate increases were the primary driver of the $26 million in revenue growth from the Business division while Consumer division revenues decreased $18 million or 0.5% compared to the twelve-month period of fiscal 2018 as contributions from rate adjustments and growth in Internet revenue were offset by declines in Video, Satellite and Phone subscribers and revenue.

Operating income before restructuring costs and amortization of $2.15 billion for the twelve-month period improved 4.7% compared to $2.06 billion for fiscal 2018. The improvement was primarily due to the Wireless division contributing $199 million over the twelve-month period as compared to $142 million in fiscal 2018 and the Wireline division increase of $40 million year-over-year. Wireless increased $57 million or 40.1% over the comparable period driven primarily by subscriber growth, higher equipment margins and ABPU growth, partially offset by higher distribution channel costs and the impact of the $13 million credit for a retroactive domestic roaming rate adjustment in the prior year. Wireline increased $40 million or 2.1% over the comparable period primarily as a result of lower operating costs mainly related to VDP partially offset by the $10 million provision related primarily to the CRTC decision to reduce wholesale broadband rates available to third party internet providers from 2016 onward and the impact of the $15 million payment to address certain IP licensing matters.

Restructuring costs

Restructuring costs generally include severance, employee related costs and other costs directly associated with a restructuring program. As a first step in the TBT, the VDP was offered to eligible employees in the second quarter of fiscal 2018. The outcome of the program had approximately 3,300 Shaw employees accepting the VDP package, representing approximately 25% of all employees at that time. For the year ended August 31, 2019, the category included a $10 million reversal in restructuring charges related to the Company's TBT initiative as a result of approximately 90 employees either rescinding their acceptance of the VDP package with the approval of the Company or forgoing their package to expedite their departure date. See "About our Business" for further details on the TBT and the VDP.

Amortization

(millions of Canadian dollars)	2019	2018 (restated)[1]	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**21**	30	(30.0)
Deferred equipment costs	**(85)**	(110)	(22.7)
Property, plant and equipment, intangibles and other	**(974)**	(945)	3.1

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

Amortization of property, plant and equipment, intangibles and other increased 3.1% for the year ended August 31, 2019 over the comparable period due to amortization of new expenditures exceeding the amortization of assets that became fully amortized during the year.

Amortization of financing costs and Interest expense

(millions of Canadian dollars)	2019	2018	Change %
Amortization of financing costs – long-term debt	**3**	3	–
Interest expense	**258**	248	4.0

Interest expense for the twelve-month period ended August 31, 2018 increased over the comparable period primarily due to higher average outstanding debt balances in the current year.

Other income and expenses

(millions of Canadian dollars)	2019	2018 (restated)[1]	Increase / (decrease)
Equity income (loss) of an associate or joint venture	**46**	(200)	246
Loss on disposal of an associate or joint venture	**(109)**	–	(109)
Other gains	**50**	32	18
	(13)	(168)	155

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

In fiscal 2018, the Company recorded equity income of $46 million related to its investment in Corus compared to an equity loss of $200 million in the prior year. The increase substantially reflects a $284 million impairment from the Company's investment in Corus recorded in the third quarter of fiscal 2018.

On May 31, 2019, the Company sold all of its 80,630,383 Corus Class B non-voting participating shares at a price of $6.80 per share. Proceeds, net of transaction costs, were $526 million, which resulted in a loss of $109 million for the twelve months ended August 31, 2019.

Other gains (losses) generally include realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the current year, the category includes a net $32 million gain on the disposal of property, plant and equipment, a $6 million gain on the disposal of a non-core business, as well as a $15 million gain on the disposal of a minor portfolio investment. In the prior year, the category includes a $16 million gain on the sale of certain wireless spectrum licenses as well as a $5 million provision recovery.

Earnings per share

(millions of Canadian dollars except per share amounts)	2019	2018 (restated)[1]	Change %
Net income	**733**	33	>100.0
Weighted average number of participating shares outstanding during period (millions)	**511**	502	
Earnings per share			
Basic	**1.41**	0.05	
Diluted	**1.41**	0.05	

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

Net income

Net income was $733 million in 2019 compared to $33 million in 2018[1]. The year-over-year changes are summarized in the table below[1].

(millions of Canadian dollars)	
Increased operating income before restructuring costs and amortization [2]	**97**
Decreased restructuring costs	**455**
Increased amortization	**(13)**
Increased interest expense	**(10)**
Increased equity income of an associate or joint venture	**246**
Change in other net costs and revenue [3]	**(91)**
Decreased income taxes	**10**
Increased income from discontinued operations, net of tax	**6**
	700

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.
[2] See definitions and discussion under "Non-IFRS and additional GAAP measures"
[3] Net other costs and revenue include gains and losses on disposals of fixed assets and intangibles, business acquisition costs, accretion of long-term liabilities and provisions, debt retirement costs, realized and unrealized foreign exchange differences and other losses as detailed in the unaudited Consolidated Statements of Income

Net other costs and revenues had a $91 million unfavourable impact on net income primarily due to a $109 million loss related to the Company's disposal of its investment in Corus Class B non-voting participating shares partially offset by a $15 million gain on the disposal of a minor portfolio investment in the current year.

SEGMENTED OPERATIONS REVIEW

WIRELINE

(millions of Canadian dollars)	2019	2018 (restated)[1]	Change %
Consumer	**3,707**	3,725	(0.5)
Business	**593**	567	4.6
Wireline revenue	**4,300**	4,292	0.2
Operating income before restructuring costs and amortization [2]	**1,955**	1,915	2.1
Operating margin [2]	**45.5%**	44.6%	2.0

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.
[2] Refer to key performance drivers.

Wireline RGUs decreased by 186,973 in the current year, compared to net losses of 133,142 RGUs in fiscal 2018. Total Business RGU gains of 18,411 were more than fully offset by total Consumer RGU losses of 205,384 in the year which included net losses in cable Video of 106,861, Phone of 86,102 and satellite Video of 47,180 partially offset by the addition of approximately 34,759 Internet RGUs.

Consumer revenue for the year of $3.7 billion was comparable to last year. Higher revenue generated by annual rate adjustments and incremental Internet RGUs were fully offset by the impact of reductions to Video, Satellite and Phone RGUs. Business revenue for the year of $593 million was 4.6% higher over the prior year primarily due to customer growth as well as the impact of annual rate adjustments.

Operating income before restructuring costs and amortization of $2.2 billion increased 4.7% over the comparable period primarily as a result of lower operating costs mainly related to VDP partially offset by the $10 million provision related primarily to the CRTC decision to reduce wholesale broadband rates available to third party internet providers from 2016 onward and the impact of the $15 million payment to address certain IP licensing matters.

WIRELESS

(millions of Canadian dollars)	2019	2018 (restated)[1]	Change %
Service	**694**	564	23.0
Equipment and other	**353**	337	4.7
Wireless revenue	**1,047**	901	16.2
Operating income before restructuring costs and amortization [2]	**199**	142	40.1
Operating margin [2]	**19.0%**	15.8%	20.3

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.
[2] Refer to key performance drivers.

In Wireless, the Company continued to grow postpaid and prepaid wireless subscribers, gaining a combined 266,241 RGUs in the year. The increase in the customer base reflects continued customer demand for the Big Gig data-centric pricing and packaging options, including Absolute Zero, the success of the new prepaid plans that were launched in April 2019, and the ongoing execution of the wireless growth strategy to improve the network and customer experience.

Wireless revenue for the year of $1,047 million increased $146 million or 16.2% over the prior year. The increase in revenue was driven primarily by year-over-year growth in both service and equipment revenue. The increase in service revenue was driven by RGU and ARPU growth in which a net

287,929 postpaid subscribers were added, representing a 28% increase, and ARPU of $37.92 in fiscal 2019 compared to $37.11 in the prior year. The higher equipment revenues were driven by a large share of new postpaid subscribers purchasing handsets. ABPU of $41.67 for the full fiscal year compared to $39.19 for fiscal 2018 and reflects a higher proportionate share of postpaid subscribers.

Operating income before restructuring costs and amortization of $199 million increased $57 million or 40.1% over the comparable period driven primarily by subscriber growth, higher equipment margins and ABPU growth, partially offset by higher distribution channel costs and the impact of the $13 million credit for a retroactive domestic roaming rate adjustment in the prior year.

CAPITAL EXPENDITURES AND EQUIPMENT COSTS

	Year ended August 31,		
(millions of Canadian dollars)	2019	2018 (restated)[1]	Change %
Wireline			
New housing development	**138**	124	11.3
Success based	**256**	278	(7.9)
Upgrades and enhancements	**346**	493	(29.8)
Replacement	**28**	31	(9.7)
Buildings and other	**59**	92	(35.9)
Total as per Note 26 to the audited annual consolidated financial statements	**827**	1,018	(18.8)
Wireless			
Total as per Note 26 to the audited annual consolidated financial statements	**385**	343	12.2
Consolidated total as per Note 26 to the audited annual consolidated financial statements	**1,212**	1,361	(10.9)

(1) Fiscal 2018 reported figures have been restated. Refer to "Change in Accounting Policy" for additional details on the changes for fiscal 2018.

Capital investment was $1,212 million in the current year compared to $1,361 million in fiscal 2018. The decrease was driven primarily by a $191 million decrease in Wireline primarily due to lower system network infrastructure spending partially offset by incremental capital investment in the Wireless division relating primarily to investment for the continued deployment of 700 MHz spectrum and the expansion of the wireless network into 19 new markets.

Wireline

Success-based capital for fiscal 2019 of $256 million was moderately lower than fiscal 2018. The current year decrease in success-based capital was due primarily to lower Video equipment purchases in the year.

Capital spend on the combined upgrades and enhancement, and replacement categories was $374 million for the current year, a $150 million decrease over fiscal 2018 driven primarily by lower planned Wireline spend on system network infrastructure.

Capital spend on new housing development of $138 million was $14 million higher than the prior year driven by residential and commercial customer network growth and acquisition.

Investment in buildings and other of $59 million for the twelve-month period was down $33 million over the comparable period primarily due to the impact of proceeds received on the disposition of non-core assets.

Wireless

Capital investment in the Wireless division of $385 million for the twelve-month period was up $42 million over the prior year. In fiscal 2019, the Company continued to focus on investment in the Wireless network and infrastructure, specifically the deployment of 700 MHz spectrum, LTE and small cells as well as retail expansion in new and existing markets and enhancements to the back-office systems.

DISCONTINUED OPERATIONS

SHAW TRACKING

On May 31, 2017, the Company entered an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Business Network Services segment. The Company determined that the assets and liabilities of the Shaw Tracking business met the criteria to be classified as a disposal group held for sale. Accordingly, the assets and liabilities of the Shaw Tracking business were classified in the consolidated statement of financial position at August 31, 2017 as current assets held for sale or current liabilities held for sale, respectively, as the sale of these assets and liabilities was expected to be completed within one year. In addition, the operating results and operating cash flows of the business are presented as discontinued operations separate from the Company's continuing operations. The transaction closed on September 15, 2017.

	2019	2018
Revenue	–	1
Operating, general and administrative expenses		
Employee salaries and benefits	–	–
Purchases of goods and services	–	1
Loss from discontinued operations before tax	–	–
Income taxes	–	–
Loss from discontinued operations, net of tax, before divestiture	–	–
Loss on divestiture, net of tax	–	(6)
Loss from discontinued operations, net of tax	–	(6)

FINANCIAL POSITION

Total assets were $15.6 billion at August 31, 2019 compared to $14.4 billion at August 31, 2018. The following is a discussion of significant changes in the Consolidated Statement of Financial Position since August 31, 2018.

Current assets increased $1.14 billion primarily due to increases in cash of $1.06 billion, receivables of $34 million, inventory of $25 million, other current assets of $18 million, and current portion of contract assets of $3 million. Cash increased primarily due to the issuance of $1 billion of senior notes, netting proceeds of $993 million, proceeds of $551 million collected from the sale of its investment in Corus and other portfolio investments, proceeds of $59 million on the disposal of property, plant and equipment as well as funds provided by continuing operations. This was partially offset by cash outlays for the spectrum acquisition of $492 million and other capital additions.

Accounts receivable increased $34 million year-over-year primarily due to the increase in Wireless subscribers and the impact of rate changes in Wireline while inventory increased $25 million as a result of higher handset and satellite purchases towards the end of fiscal 2019 relative to the end of fiscal 2018.

Other current assets increased over the period mainly due to an increase in Wireless subscribers participating in the Company's MyTab Boost, a plan that allows customers to pay less for their handset upfront if they pay a predetermined incremental amount on a monthly basis. This increase continues to be driven by growth in handset sales.

Investments and other assets decreased by $623 million due to the disposal of the Company's investment in Corus and another minor portfolio investment. Property, plant and equipment increased $181 million due to capital investments in excess of amortization. Intangible assets increased $497 million primarily due to the acquisition of spectrum for $492 million.

Contract assets increased $20 million over the period mainly due to an increase in Wireless subscribers participating in the Company's discretionary wireless handset discount program, MyTab. Under IFRS 15, the portion of this discount relating to the handset is applied against equipment revenue at the point in time that the handset is transferred to the customer while the portion relating to service revenue is recorded as a contract asset and amortized over the life of the contract against future service revenues.

Current liabilities increased $1.21 billion during the period primarily due to an increase in the current portion of long-term debt of $1.25 billion due to the reclassification of a $1.25 billion senior note due in October 2019, and an increase in accounts payable and accrued liabilities of $45 million, partially offset by decreases in provisions of $21 million, income taxes payable of $51 million and current portion of contract liabilities of $3 million.

Accounts payable and accruals increased due to the timing of payment and fluctuations in various payables including capital expenditures, interest and programming costs. The decrease in current provisions was mainly due to the payment of restructuring costs related to the TBT. In connection with the VDP, the Company recorded a total of $437 million in restructuring charges in fiscal 2018 and 2019 primarily related to severance and other related costs, of which $292 million has been paid, $142 million is included in current provisions and $1 million is included in long-term provisions. Income taxes payable decreased due to normal course tax installment payments and a lower current period provision.

Long-term debt decreased $253 million primarily due to the change in classification of the $1.25 billion senior note to current liabilities, partially offset by the issuance of $1 billion in senior notes, with $500 million due in 2023 and $500 million due in 2028.

Shareholders' equity increased $315 million mainly due to an increase in share capital of $256 million and retained earnings of $113 million partially offset by an increase in accumulated other comprehensive loss of $55 million. Share capital increased due to the issuance of 10,147,427 Class B Non-Voting Shares under the Company's stock option plan and DRIP.

As at November 15, 2019, share capital is as reported at August 31, 2019 with the exception of the issuance of a total of 1,169,500 Class B Non-Voting Shares upon exercise of options under the Company's option plan and the issuance of shares under the Company's dividend reinvestment plan as well as the cancellation of 396,982 Class B Non-Voting Shares in relation to the Company's NCIB program which commenced on November 1, 2019. Retained earnings increased due to current year income of $733 million partially offset by dividends of $618 million. Accumulated other comprehensive loss increased primarily due to the re-measurement recorded on employee benefit plans and the reclassification of the Company's share of other comprehensive income of associates to income as a result of the sale of our investment in Corus in the fiscal year.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2019	2018 (restated) [1]	Change %
Funds flow from continuing operations	**1,777**	1,177	51.0
Net change in non-cash working capital balances related to continuing	**(209)**	178	>(100.0)
Operating activities of discontinued operations	**–**	(2)	100.0
	1,568	1,353	15.9

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

Funds flow from operations in fiscal 2019 increased over the comparable period primarily due to lower restructuring costs, higher operating income before restructuring costs and amortization and lower current income taxes partially offset by higher interest costs. The net change in non-cash working capital balances related to continuing operations fluctuated over the comparative period due to changes in the accounts receivable, other current asset, and other long-term asset balances and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2019	2018 (restated)[1]	Increase
Cash flow used in investing activities	(1,133)	(1,176)	(43)

[1] Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

In fiscal 2019, cash used in investing activities decreased over the comparable period primarily due to proceeds of $551 million received from the sale of our investment in Corus and other investments, $90 million more proceeds generated from the disposal of a non-core business and property, plant and equipment and lower outlays for capital expenditures in the current year as compared to the prior year. The increased cash from disposal activities was partially offset by a $467 million increase year over year in spectrum purchases and an $82 million decrease in cash dividends received from Corus in the current year.

Financing activities

The changes in financing activities during 2019 and 2018 were as follows:

(millions of Canadian dollars)	2019	2018
Senior notes – net borrowings (repayments)	**1,000**	10
Bank loans – net borrowings	**–**	40
Bank facility arrangement costs	**(9)**	–
Dividends	**(398)**	(392)
Issuance of Class B Non-Voting Shares	**35**	43
Other	**(1)**	(1)
	627	(300)

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 2019, the Company generated $538 million of free cash flow. Shaw used its free cash flow along with $551 million net proceeds from the sale of its investment in Corus and another minor portfolio investment, $993 million net proceeds from senior note issuances, and proceeds on issuance of Class B Non-Voting Shares of $35 million to fund the net working capital change of $113 million, pay common share dividends of $389 million, purchase $492 million in spectrum licenses, pay $124 million in restructuring costs, and increase the cash on hand balance by $1 billion.

The Company issued Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $217 million during fiscal 2019.

Debt structure and financial policy

Shaw structures its borrowings generally on an unsecured and standalone basis. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

On November 2, 2018, the Company solidified its balance sheet through the issuance of $1 billion in senior notes, comprised of $500 million at a rate of 3.80% due November 2, 2023 and $500 million at a rate of 4.40% due November 2, 2028. The funds will be used for general corporate purposes which may include the repayment of indebtedness. On November 21, 2018, the Company amended the terms of its $1.5 billion bank credit facility to extend the maturity date to December 2023. The facility can be used for working capital and general corporate purposes, including to issue letters of credit.

On June 19, 2018, the Company established an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. Effective May 29, 2019, the Company amended the terms of its accounts receivable securitization program to extend the term of the program to May 29, 2022 and increase the sales committed up to a maximum of $200 million. As at August 31, 2019 $40 million was drawn under the program. Subsequent to year-end, on November 1, 2019, the Company increased the amount drawn by an additional $80 million under the program for total of $120 million drawn to date. The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables remain recognized on the Company's Consolidated Statement of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivable has no claim on any of our other assets.

As at August 31, 2019, the net debt leverage ratio for the Company is 1.9x which is consistent with August 31, 2018. Considering the prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.0 to 2.5x would be optimal leverage for the Company in the current environment. Should the ratio fall below this, other than on a temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Participating Shares in the event that pricing levels were to drop precipitously.

The Company calculates net debt leverage ratio as follows [(1)]:

(millions of Canadian dollars)	2019	2018 (restated)[(3)]
Short-term borrowings	**40**	40
Current portion of long-term debt	**1,251**	1
Long-term debt	**4,057**	4,310
50% of outstanding preferred shares	**147**	147
Cash	**(1,446)**	(384)
(A) Net debt [(2)]	**4,049**	4,114
Operating income before restructuring costs and amortization [(2)]	**2,154**	2,056
Corus dividends	**10**	92
(B) Adjusted operating income before restructuring costs and amortization [(2)]	**2,164**	2,148
(A/B) Net debt leverage ratio [(2)]	**1.9x**	1.9x

(1) The following contains a description of the Company's use of non-IFRS financial measures provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

(2) These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies and have not been presented as an alternative to liquidity prescribed by IFRS.

(3) Fiscal 2018 reported figures have been restated applying IFRS 15. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2018.

In November 2019, the Board of Directors updated its target net debt leverage ratio to 2.5x to 3.0x based on the expected impact of IFRS 16.

Shaw's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios. At August 31, 2019, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

	Covenant Limit
Shaw Credit Facilities	
Total Debt to Operating Cash Flow [(1)] Ratio	< 5.00:1
Operating Cash Flow [(1)] to Fixed Charges [(2)] Ratio	> 2.00:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense for the most recently completed fiscal quarter multiplied by four.

Subsequent to year-end:

- on October 1, 2019, the Company repaid the $1.25 billion of 5.65% senior notes.
- on October 25, 2019, and in accordance with the terms of our DRIP, the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company will reduce its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP will apply to the dividends payable commencing on November 28, 2019 to shareholders of record on November 15, 2019.
- On November 1, 2019, the Company increased the amount drawn under its accounts receivable securitization program by $80 million for a total of $120 million currently drawn under the program.
- On October 29, 2019, the Company announced that it received approval from the TSX to establish a normal course issuer bid program. The program commenced on November 1, and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Non-Voting Shares, representing 5% of all of the issued and outstanding Class B Non-Voting Shares. As of November 15, 2019, the Company has purchased 483,428 Class B Non-Voting Shares for cancellation for a total cost of approximately $13 million under the NCIB.
- On November 21, 2019, the Company extended the term of its five-year $1.5 billion bank credit facility from December 2023 to December 2024. This credit facility is used for working capital and general corporate purposes.

Preferred Share Dividends

On June 30, 2016, 1,987,607 of the Company's Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") were converted into an equal number of Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares") in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company has 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. The Series A Shares will continue to be listed on the TSX under the symbol SJR.PR.A. The Series B Shares began trading on the TSX on June 30, 2016 under the symbol SJR.PR.B. The annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five-year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%

The floating quarterly dividend rate will be reset quarterly.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations, including maturing debt, during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Off-balance sheet arrangement and guarantees

Guarantees

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 27 to the Consolidated Financial Statements. As disclosed thereto, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2019 are detailed in the following table.

		Payments due by period			
(millions of Canadian dollars)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Long-term debt [(1)]	5,350	1,251	802	1,002	2,295
Lease and maintenance obligations [(2)]	919	170	286	228	235
Purchase obligations [(3)]	983	510	242	102	129
Property, plant and equipment	181	140	21	15	5
	7,433	2,071	1,351	1,347	2,664

(1) Includes principal repayments and interest payments.
(2) Includes maintenance and lease of satellite transponders, and lease of transmission facilities and premises.
(3) Includes contractual obligations under service, product, and wireless device contracts, program related agreements and exclusive rights to use intellectual property in Canada.

Share Capital and Listings

The Company is authorized to issue a limited number of Class A Shares; an unlimited number of Class B Non-Voting Shares; an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "**Series A Shares**") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "**Series B Shares**"). The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

As at November 15, 2019, there were 495,559,271 Class B Non-Voting Shares, 10,012,393 Series A Shares, and 1,987,607 Series B Shares and 22,372,064 Class A Shares issued and outstanding. There were also 8,174,093 options to purchase Class B Non-Voting Shares and 13,271 RSUs that will settle in Class B Non-Voting Shares issued from Treasury outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

The following table sets forth, for each month during the fiscal year ending August 31, 2019, the monthly price range and volume traded for the Class A Shares on the TSX Venture Exchange (TSXV) and for the Class B Non-Voting Shares, Series A Shares and Series B Shares on the Toronto Stock Exchange (TSX).

	Class A Shares [(1)] TSX Venture-SJR.A			Class B Non-Voting Shares [(1)] TSX-SJR.B			Series A Shares [(1)] TSX-SJR.PR.A			Series B Shares [(1)] TSX-SJR.PR.B		
	High	Low	Volume	High	Low	Volume	High	Low	Volume	High	Low	Volume
Sep 2018	28.02	26.40	9,209	26.43	24.92	15,303,960	18.90	18.31	50,449	19.71	19.34	12,211
Oct 2018	27.25	25.55	19,112	25.42	24.02	20,729,347	18.70	16.50	176,821	19.77	18.74	31,525
Nov 2018	26.50	24.01	8,640	25.71	23.82	23,256,640	17.90	15.79	149,303	19.13	17.05	19,221
Dec 2018	27.98	24.20	4,733	25.48	24.06	29,971,999	16.30	14.34	183,278	17.50	15.21	22,950
Jan 2019	28.20	23.70	13,245	27.24	24.44	36,446,462	16.37	15.00	164,440	16.91	15.57	19,517
Feb 2019	29.00	27.00	7,200	27.49	26.57	19,891,497	15.80	14.46	608,924	16.50	15.50	10,534
Mar 2019	29.00	27.10	9,057	27.99	26.99	26,060,534	15.55	14.26	386,164	16.28	14.79	22,269
Apr 2019	28.75	27.00	2,878	28.10	26.61	25,624,801	14.87	14.05	245,575	15.40	14.80	12,306
May 2019	28.80	27.04	5,297	27.85	26.72	20,181,594	14.70	13.75	180,593	15.20	14.75	27,999
Jun 2019	28.80	26.22	9,208	27.91	25.51	22,563,357	13.93	12.80	292,743	14.50	13.00	30,093
Jul 2019	27.99	25.89	8,210	27.02	25.42	18,854,826	14.65	13.55	244,783	14.96	13.55	53,554
Aug 2019	27.50	25.25	13,700	26.27	24.87	13,365,254	14.45	12.35	144,884	14.60	12.86	23,350

(1) Trading price and volume data is obtained from the TMX group

Share Splits

There have been four splits of the Company's Class A and Class B Non-Voting Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2019 Annual Information Form can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange ("NYSE") corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investors/Corporate Governance/Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting ("ICFR").

As at August 31, 2019, the Company's management, together with its Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and ICFR. Based on these evaluations, the Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have concluded that the Company's disclosure controls and procedures and the Company's ICFR are effective.

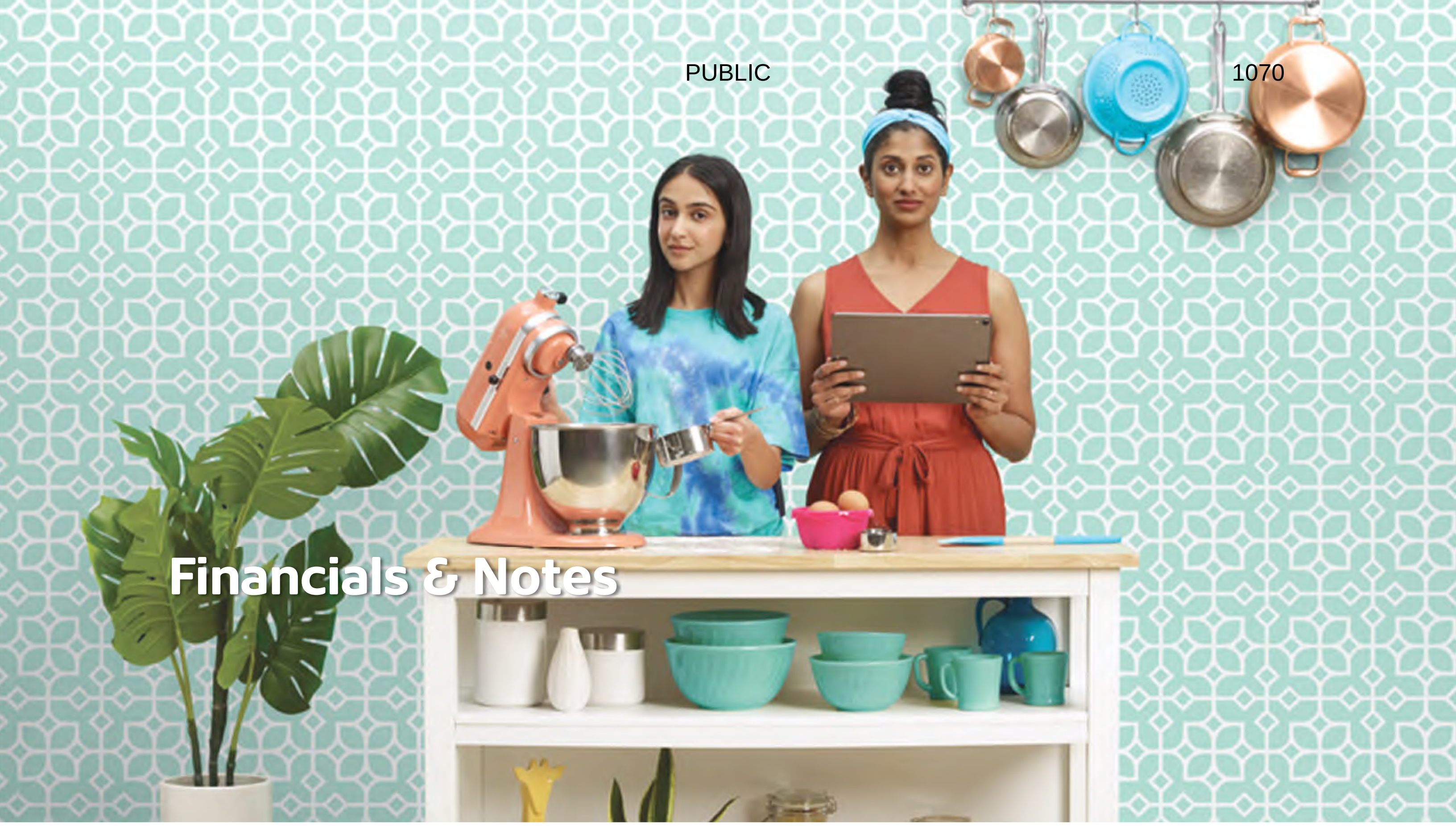
Other than the items described below, there have been no changes in the Company's ICFR during the fiscal year that have materially affected, or are reasonably likely to materially affect, Shaw's ICFR.

On September 1, 2018, the Company adopted IFRS 15 *Revenue from Contracts with Customers* and implemented a new revenue recognition accounting system that enabled it to comply with the IFRS 15 requirements. As a result, significant additions and modifications have been made to the Company's ICFR for the Wireless segment. Notably, the Company has:

- updated its policies and procedures related to how revenue is recognized;
- implemented controls surrounding the recently implemented revenue recognition system to ensure the inputs, processes, and outputs are accurate; and
- implemented controls designed to address risks associated with the five-step revenue recognition model.

On December 4, 2018, the Company implemented a new Enterprise Resource Planning ("ERP") system for its Wireline operations that comprises both accounting and supply chain modules. In connection with the implementation, the Company updated its ICFR, as necessary, to accommodate related changes to its business processes and accounting procedures. Management will continue to monitor the effectiveness of these processes going forward.

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.



Contents

Reports

Consolidated Statements of

Notes to the Consolidated Financial Statements

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

November 27, 2019

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2019.

[Signed]

Brad Shaw
Chief Executive Officer

[Signed]

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Shaw Communications Inc. (the "Company") as of August 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Report on internal control over financial reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission framework (2013) and our report dated November 27, 2019 expressed an unqualified opinion thereon.

Adoption of IFRS 15 Revenue from Contracts with Customers

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for Revenue which has been given retrospective application, due to the adoption of IFRS 15, *Revenue from Contracts with Customers*, which included the disclosure of the September 1, 2017 statement of financial position.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of the Wireless cash generating unit's indefinite-life intangibles

Description of the Matter	As more fully described in Note 10 to the consolidated financial statements, the Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2019 and the recoverable amount of the cash generating units exceeds their carrying value. Auditing management's impairment test is complex and judgmental due to the estimation required in determining the recoverable amount of the cash generating units. The recoverable amount was estimated using a discounted cash flow and is sensitive to assumptions such as revenue growth rate, earnings growth rate, earnings before interest tax and amortization margin, terminal operating discount rate, terminal growth rate and terminal operating income before restructuring costs and amortization multiple.
How We Addressed the Matter in Our Audit	We obtained an understanding of management's process for identifying indicators of impairment and for performing their impairment assessment. We evaluated the design and tested the operating effectiveness of controls over the Company's impairment indicators assessment and processes to determine the recoverable amount. For example, we tested controls over the Company's strategic planning process as well as controls over the review of the significant assumptions in estimating the recoverable amount of the cash generating units. To test the estimated recoverable amount of the goodwill and indefinite-life intangible assets, our audit procedures included, among others, assessing the methodology used and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We also involved an EY valuation specialist to assist us. We compared the significant assumptions used by management to historical and current trends and evaluated the reasonability of revenue streams and margins. We audited the forecasted revenue by evaluating future subscriber growth, expected customer churn, and average rate per subscriber unit. We assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate changes in the recoverable amount of the cash generating units that would result from changes in the assumptions. We assessed the adequacy of the Company's disclosure in the consolidated financial statements.

Ernst & Young LLP

Chartered Professional Accountants

We have served as the Company's auditor since 1966.

Calgary, Canada
November 27, 2019

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Shaw Communications Inc.'s internal control over financial reporting as of August 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, Shaw Communications Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of August 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial position as at August 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes and our report dated November 27, 2019 expressed an unqualified opinion thereon.

Basis of Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada

November 27, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)	August 31, 2019	August 31, 2018 (restated, note 2)	September 1, 2017 (restated, note 2)
ASSETS			
Current			
Cash	**1,446**	384	507
Accounts receivable (note 4)	**287**	253	286
Inventories (note 5)	**86**	61	59
Other current assets (note 6)	**291**	273	179
Current portion of contract assets (note 22)	**106**	103	31
Assets held for sale (note 3)	**–**	–	61
	2,216	1,074	1,123
Investments and other assets (notes 7 and 30)	**37**	660	937
Property, plant and equipment (note 8)	**4,883**	4,702	4,394
Other long-term assets (note 9)	**195**	197	216
Deferred income tax assets (note 25)	**4**	4	4
Intangibles (note 10)	**7,979**	7,482	7,435
Goodwill (note 10)	**280**	280	280
Contract assets (note 22)	**52**	32	28
	15,646	14,431	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Short-term borrowings (note 11)	**40**	40	–
Accounts payable and accrued liabilities (note 12)	**1,015**	970	909
Provisions (note 13)	**224**	245	76
Income taxes payable	**82**	133	151
Current portion of contract liabilities (note 22)	**223**	226	214
Current portion of long-term debt (notes 14 and 30)	**1,251**	1	2
Liabilities held for sale (note 3)	**–**	–	39
	2,835	1,615	1,391
Long-term debt (notes 14 and 30)	**4,057**	4,310	4,298
Other long-term liabilities (notes 15 and 28)	**75**	13	114
Provisions (note 13)	**79**	179	67
Deferred credits (note 16)	**425**	442	469
Contract liabilities (note 22)	**15**	18	21
Deferred income tax liabilities (note 25)	**1,875**	1,884	1,863
	9,361	8,461	8,223
Commitments and contingencies (notes 14, 27 and 28)			
Shareholders' equity			
Common and preferred shareholders	**6,282**	5,969	6,193
Non-controlling interests in subsidiaries	**3**	1	1
	6,285	5,970	6,194
	15,646	14,431	14,417

See accompanying notes

On behalf of the Board:

[Signed]
JR Shaw
Director

[Signed]
Michael O'Brien
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31, (millions of Canadian dollars except per share amounts)	2019 $	2018 (restated, note 2) $
Revenue (notes 22 and 26)	**5,340**	5,189
Operating, general and administrative expenses (note 23)	**(3,186)**	(3,132)
Restructuring costs (notes 13 and 23)	**9**	(446)
Amortization:		
Deferred equipment revenue (note 16)	**21**	30
Deferred equipment costs (note 9)	**(85)**	(110)
Property, plant and equipment, intangibles and other (notes 8,9,10 and 16)	**(974)**	(945)
Operating income from continuing operations	**1,125**	586
Amortization of financing costs – long-term debt (note 14)	**(3)**	(3)
Interest expense (notes 14 and 26)	**(258)**	(248)
Equity income (loss) of an associate or joint venture (note 7)	**46**	(200)
Loss on disposal of an associate or joint venture (note 7)	**(109)**	–
Other gains (losses) (note 24)	**50**	32
Income from continuing operations before income taxes	**851**	167
Current income tax expense (note 25)	**114**	137
Deferred income tax expense (note 25)	**4**	(9)
Net income from continuing operations	**733**	39
Loss from discontinued operations, net of tax (note 3)	**–**	(6)
Net income	**733**	33
Net income from continuing operations attributable to:		
Equity shareholders	**731**	39
Non-controlling interests	**2**	–
	733	39
Loss from discontinued operations attributable to:		
Equity shareholders	**–**	(6)
Basic earnings (loss) per share (note 19)		
Continuing operations	**1.41**	0.06
Discontinued operations	**–**	(0.01)
	1.41	0.05
Diluted earnings (loss) per share (note 19)		
Continuing operations	**1.41**	0.06
Discontinued operations	**–**	(0.01)
	1.41	0.05

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, (millions of Canadian dollars)	2019 $	2018 (restated, note 2) $
Net income	**733**	33
Other comprehensive income (loss) (note 21)		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	5
Adjustment for hedged items recognized in the period	**(2)**	3
Share of other comprehensive income of associates	**(13)**	10
Reclassification of accumulated gain to income related to the sale of an associate	**(3)**	–
	(16)	18
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans	**(39)**	74
	(55)	92
Comprehensive income	**678**	125
Comprehensive income attributable to:		
Equity shareholders	**678**	125

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2019

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2018, as previously reported	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**
Transition adjustments – IFRS 15 (note 2)	**–**	**–**	**22**	**–**	**22**	**–**	**22**
Restated balance at September 1, 2018	**4,349**	**27**	**1,641**	**(39)**	**5,978**	**1**	**5,979**
Change in accounting policy adjustments (note 2)	**–**	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Restated balance as at September 1, 2018	**4,349**	**27**	**1,632**	**(39)**	**5,969**	**1**	**5,970**
Net income	**–**	**–**	**731**	**–**	**731**	**2**	**733**
Other comprehensive loss	**–**	**–**	**–**	**(55)**	**(55)**	**–**	**(55)**
Comprehensive income (loss)	**–**	**–**	**731**	**(55)**	**676**	**2**	**678**
Dividends	**–**	**–**	**(401)**	**–**	**(401)**	**–**	**(401)**
Dividend reinvestment plan	**217**	**–**	**(217)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**39**	**(4)**	**–**	**–**	**35**	**–**	**35**
Share-based compensation	**–**	**3**	**–**	**–**	**3**	**–**	**3**
Balance as at August 31, 2019	**4,605**	**26**	**1,745**	**(94)**	**6,282**	**3**	**6,285**

Year ended August 31, 2018

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2017, as previously reported	4,090	30	2,164	(131)	6,153	1	6,154
Transition adjustments – IFRS 15 (note 2)	–	–	40	–	40	–	40
Restated balance as at September 1, 2017	4,090	30	2,204	(131)	6,193	1	6,194
Net income (restated, note 2)	–	–	33	–	33	–	33
Other comprehensive income	–	–	–	92	92	–	92
Comprehensive income	–	–	33	92	125	–	125
Dividends	–	–	(394)	–	(394)	–	(394)
Dividend reinvestment plan	211	–	(211)	–	–	–	–
Shares issued under stock option plan	48	(6)	–	–	42	–	42
Share-based compensation	–	3	–	–	3	–	3
Restated balance as at August 31, 2018	4,349	27	1,632	(39)	5,969	1	5,970

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (millions of Canadian dollars)	2019 $	2018 (restated, note 2) $
OPERATING ACTIVITIES		
Funds flow from operations (note 31)	**1,777**	1,177
Net change in non-cash balances related to continuing operations	**(209)**	178
Operating activities from discontinued operations	**–**	(2)
	1,568	1,353
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 26)	**(1,109)**	(1,121)
Additions to equipment costs (net) (note 26)	**(42)**	(49)
Additions to other intangibles (note 26)	**(147)**	(131)
Proceeds on sale of non-core business	**40**	–
Proceeds on sale of spectrum licences	**–**	35
Spectrum acquisitions	**(492)**	(25)
Proceeds on sale of discontinued operations, net of cash sold	**–**	18
Proceeds on sale of investments	**551**	–
Net additions to investments and other assets	**7**	88
Proceeds on disposal of property, plant and equipment (notes 26 and 31)	**59**	9
	(1,133)	(1,176)
FINANCING ACTIVITIES		
Increase in short-term borrowings (note 11)	**–**	40
Increase in long-term debt	**1,000**	10
Bank credit facility arrangement costs	**(9)**	–
Issue of Class B Non-Voting Shares	**35**	43
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(389)**	(384)
Dividends paid on Series A Preferred Shares	**(9)**	(8)
Other	**(1)**	(1)
	627	(300)
Increase (decrease) in cash	**1,062**	(123)
Cash, beginning of year	**384**	507
Cash, end of year	**1,446**	384

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in millions of Canadian dollars except share and per share amounts)

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, business and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange and New York Stock Exchange ("NYSE") (Symbol: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2019 and 2018, were approved by the Board of Directors and authorized for issue on November 27, 2019.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Certain figures included within these consolidated financial statements have been adjusted to correct an immaterial, inadvertent overstatement of previously reported wireless service revenue for the year ended August 31, 2019 of $7 million.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of the acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations consist of a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates and joint ventures

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in associates and joint ventures are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company classified its approximate 38% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors. On May 31, 2019, the Company sold all of its interest in Corus.

The Company classified its 50% interest in the Shomi Partnership ("shomi") as an investment in a joint venture after considering the terms and conditions of the partnership. In September 2016, Shaw and Rogers Communications Inc., announced the decision to wind down its operations with service ending November 30, 2016. In December 2017, the remaining assets associated with shomi were transferred to their respective partners and the partnership was officially wound up.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue, customer premise equipment revenue, handset equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

The Company records revenue from contracts with customers in accordance with the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time or at a point in time. For performance obligations satisfied over time, revenue is recognized as the services are provided. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed. Revenue from Cable, Internet, Digital Phone, Direct-to-Home ("DTH") and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided.

Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (e.g. wireless handsets, and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenue, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue. The Company also offers a plan allowing customers to receive a larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or other long-term assets, as applicable, in the consolidated statement of financial position.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

(ii) Contract assets and liabilities

We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Subscriber connection fees received from Cable, Internet, and Digital Phone customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over three years. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred as contract assets and recognized as an operating expense on a straight-line basis over the same period.

(iii) Deferred commission cost assets

We defer the incremental cost to obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them as deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Direct and incremental initial selling, administrative and connection costs, including commissions related to subscriber acquisitions are deferred and recognized as an operating expense on a straight-line basis over three years.

(iv) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Revenue from sales of satellite tracking hardware and costs of goods sold is deferred and recognized on a straight-line basis over the related service contract for monthly service charges for air time, which is generally five years. The amortization of the revenue and cost of sale of satellite service equipment commences when goods are shipped.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(v) Deferred IRU revenue

Prepayments received under indefeasible right to use ("IRU") agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Securitization of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings as we do not transfer control and substantially all the risks and rewards of ownership to another entity and thus do not result in our de-recognition of the trade receivables sold.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DTH receivers, which are held pending rental or sale at cost or at a subsidized price and wireless handsets, accessories and SIM cards. When subscriber equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable, Wireless and telecommunications distribution system	**3 – 20 years**
Digital cable terminals and modems	**3 – 5 years**
Satellite audio, video and data network equipment and DTH receiving equipment	**3 – 15 years**
Buildings	**15 – 40 years**
Data centre infrastructure	**3 – 21 years**
Data processing	**4 – 10 years**
Other	**4 – 20 years**

The Company reviews the estimates of lives and useful lives on a regular basis.

Assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale when specific criteria are met and are measured at the lower of carrying amount and estimated fair value less costs to sell. Assets held for sale are not amortized and are reported separately on the statement of financial position.

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the consolidated financial statements and the notes to the consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to Note 3 for further information regarding the Company's discontinued operations.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iv) long-term receivables, (v) network capacity leases, (vi) the non-current portion of prepaid maintenance and support contracts and (vii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 5% (2018 – 6%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit ("CGU") is determined based on the higher of the CGU's fair value less costs to sell ("FVLCS") and its value in use ("VIU"). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when warranted. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, (iii) a deposit on a future fibre sale.

Leases

(i) Operating leases

Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

(ii) Finance leases

Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in interest expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain/(loss) recognized on the translation and settlement of current monetary assets and liabilities was $5 (2018 – $1) and is included in other gains/(losses).

Financial instruments other than derivatives

Financial instruments have been classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Cash and derivative instruments have been classified as FVTPL and are recorded at fair value with any change in fair value immediately recognized in income (loss). Investments in equity securities are classified and measured at FVTPL. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial liabilities are classified as FVTPL.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. Where permissible, the Company accounts for these financial instruments as hedges which ensures that counterbalancing gains and losses are recognized in income in the same period. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the underlying asset or liability. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective August 31, 2019 and the next actuarial valuations for funding purposes are effective August 31, 2020.

Share-based compensation

The Company has a stock option plan for directors, officers, employees and consultants to the Company. The strike price of options to purchase shares must be issued at not less than the fair value at the date of grant. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit ("RSU") and performance share unit ("PSU") plan which provides that RSUs may be granted to officers, employees and directors of the Company, and PSUs may be granted to officers and employees of the Company. RSUs vest on either the first, second and third anniversary of the grant date or 100% on the third anniversary of the grant date and compensation is recognized on a straight-line basis over the three-year vesting period. PSUs vest 100% on the third anniversary of the grant date. RSUs and PSUs will be settled in either cash or Class B Non-Voting Shares as determined by the Human Resources and Compensation Committee at the time of the grant and the obligation for RSUs and PSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs and PSUs. For PSUs, the performance criteria is set by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payment is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Non-Voting Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

The Company has a deferred share unit ("DSU") plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Directors may elect to receive their compensation in cash, RSUs, DSUs or a combination thereof. Any director who has not met their share ownership guidelines is generally required to elect to receive at least 50% of their annual compensation in DSUs and/or RSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions, increasing to 33% once an employee reaches 10 years of continuous service, and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgments which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Contractual service revenue

The Company is required to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the deferral criteria for the costs incurred to obtain or fulfill a contract requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

(iii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgment is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iv) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgments to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow ("DCF") analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(v) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or market approach or a VIU calculation based on a DCF analysis. Where a DCF analysis is used, significant judgments are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licences, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in note 10. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(vi) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(vii) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. In determining the measurement of tax uncertainties, the Company applies a probable weighted average methodology. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(viii) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under regulatory, contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units (CGU) for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, and Wireless.

(ii) Broadcast rights and licences and spectrum licences – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licences (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licences issued by the Department of Innovation, Science and Economic Development (formerly, Industry Canada). While these licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncements

We adopted the following new accounting standards effective September 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers*, was issued in May 2014 and replaced IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programs*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company's financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we are required to make judgments in respect of the new standard, including judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the consolidated financial statements as at and for the year ended August 31, 2019, the comparative information presented for the year ended August 31, 2018, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;
- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in “Transition adjustments” for the year ended August 31, 2018, are as follows:

		Year ended August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**
Revenue	i.	5,239	(50)	5,189
Operating, general and administrative expenses	ii.	(3,150)	18	(3,132)
Other revenue (expense)		29	3	32
Income tax expense (recovery)		143	(12)	131
Net income (loss) from continuing operations		66	(17)	49

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the year ended August 31, 2018, are as follows:

	Year ended August 31, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent to transition**
Services			
Wireline – Consumer	3,725	–	3,725
Wireline – Business	567	–	567
Wireless	595	(31)	564
	4,887	(31)	4,856
Equipment and other			
Wireless	356	(19)	337
	356	(19)	337
Intersegment eliminations	(4)	–	(4)
Total revenue	5,239	(50)	5,189

The effect of transition to IFRS 15 on impacted line items on our Consolidated Statements of Financial Position as at September 1, 2017 and August 31, 2018 are as follows:

		As at August 31, 2018			As at September 1, 2017		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.	**–**	**59**	**59**	–	15	15
Other current assets	ii.	**286**	**(13)**	**273**	155	24	179
Contract assets	i.	**–**	**76**	**76**	–	44	44
Other long-term assets	ii.	**300**	**(102)**	**198**	255	(39)	216
Accounts payable and accrued liabilities	i.	**971**	**(1)**	**970**	913	(4)	909
Unearned revenue	i.	**221**	**(221)**	**–**	211	(211)	–
Current portion of contract liabilities	i.	**–**	**226**	**226**	–	214	214
Deferred credits	i.	**460**	**(18)**	**442**	490	(21)	469
Deferred income tax liabilities		**1,894**	**(7)**	**1,887**	1,858	5	1,863
Contract liabilities	i.	**–**	**18**	**18**	–	21	21
Shareholders' equity		**5,957**	**23**	**5,980**	6,154	40	6,194

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to "Transition adjustments" for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

- IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in "Transition adjustments" below.

  IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

  - Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL
  - Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition
  - Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property, plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to "Transition adjustments" below for the impact of this change of accounting policy on previously reported consolidated Statements of Financial Position, consolidated Statements of Income and consolidated Statements of Cash Flows.

Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statements of Income for the year ended August 31, 2018.

	Year ended August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	5,239	(50)	–	5,189
Operating, general and administrative expenses	(3,150)	18	–	(3,132)
Restructuring costs	(446)	–	–	(446)
Amortization:				
Deferred equipment revenue	30	–	–	30
Deferred equipment costs	(110)	–	–	(110)
Property, plant and equipment, intangibles and other	(932)	–	(13)	(945)
Operating income from continuing operations	631	(32)	(13)	586
Amortization of financing costs – long-term debt	(3)	–	–	(3)
Interest expense	(248)	–	–	(248)
Equity income of an associate or joint venture	(200)	–	–	(200)
Other gains	29	3	–	32
Income from continuing operations before income taxes	209	(29)	(13)	167
Current income tax expense	137	–	–	137
Deferred income tax expense	6	(12)	(3)	(9)
Net income from continuing operations	66	(17)	(10)	39
Loss from discontinued operations, net of tax	(6)	–	–	(6)
Net income	60	(17)	(10)	33
Net income from continuing operations attributable to:				
Equity shareholders	66	(17)	(10)	39
Loss from discontinued operations attributable to:				
Equity shareholders	(6)	–	–	(6)
Basic earnings (loss) per share				
Continuing operations	0.11	–	–	0.06
Discontinued operations	(0.01)	–	–	(0.01)
	0.10	–	–	0.05
Diluted earnings (loss) per share				
Continuing operations	0.11	–	–	0.06
Discontinued operations	(0.01)	–	–	(0.01)
	0.10	–	–	0.05

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statement of Financial Position as at September 1, 2017 and August 31, 2018.

	As at August 31, 2018				As at September 1, 2017			
(millions of Canadian dollars)	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition
ASSETS								
Current								
Cash	384	–	–	384	507	–	–	507
Accounts receivable	255	–	(2)	253	286	–	–	286
Inventories	101	–	(40)	61	109	–	(50)	59
Other current assets	286	(13)	–	273	155	24	–	179
Current portion of contract assets	–	59	–	59	–	15	–	15
Assets held for sale	–	–	–	–	61	–	–	61
	1,026	46	(42)	1,030	1,118	39	(50)	1,107
Investments and other assets	660	–	–	660	937	–	–	937
Property, plant and equipment	4,672	–	30	4,702	4,344	–	50	4,394
Other long-term assets	300	(102)	(1)	197	255	(39)	–	216
Deferred income tax assets	4	–	–	4	4	–	–	4
Intangibles	7,482	–	–	7,482	7,435	–	–	7,435
Goodwill	280	–	–	280	280	–	–	280
Contract assets	–	76	–	76	–	44	–	44
	14,424	20	(13)	14,431	14,373	44	–	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current								
Short-term borrowings	40	–	–	40	–	–	–	–
Accounts payable and accrued liabilities	971	(1)	–	970	913	(4)	–	909
Provisions	245	–	–	245	76	–	–	76
Income taxes payable	133	–	–	133	151	–	–	151
Unearned revenue	221	(221)	–	–	211	(211)	–	–
Current portion of contract liabilities	–	226	–	226	–	214	–	214
Current portion of long-term debt	1	–	–	1	2	–	–	2
Liabilities held for sale	–	–	–	–	39	–	–	39
	1,611	4	–	1,615	1,392	(1)	–	1,391
Long-term debt	4,310	–	–	4,310	4,298	–	–	4,298
Other long-term liabilities	13	–	–	13	114	–	–	114
Provisions	179	–	–	179	67	–	–	67
Deferred credits	460	(18)	–	442	490	(21)	–	469
Contract liabilities	–	18	–	18	–	21	–	21
Deferred income tax liabilities	1,894	(7)	(3)	1,884	1,858	5	–	1,863
	8,467	(3)	(3)	8,461	8,219	4	–	8,223
Shareholders' equity								
Common and preferred shareholders	5,956	23	(10)	5,969	6,153	40	–	6,193
Non-controlling interests in subsidiaries	1	–	–	1	1	–	–	1
	5,957	23	(10)	5,970	6,154	40	–	6,194
	14,424	20	(13)	14,431	14,373	44	–	14,417

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our consolidated Statement of Cash Flows for the year ended August 31, 2018.

	Year ended August 31, 2018			
(millions of Canadian dollars)	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition
OPERATING ACTIVITIES				
Funds flow from continuing operations	1,259	(82)	–	1,177
Net change in non-cash balances related to continuing operations	102	82	(6)	178
Operating activities of discontinued operations	(2)	–	–	(2)
	1,359	–	(6)	1,353
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(1,127)	–	6	(1,121)
Additions to equipment costs (net)	(49)	–	–	(49)
Additions to other intangibles	(131)	–	–	(131)
Proceeds on sale of spectrum licenses	35	–	–	35
Purchase of spectrum licenses	(25)	–	–	(25)
Proceeds on sale of discontinued operations, net of cash sold	18	–	–	18
Net additions to investments and other assets	88	–	–	88
Proceeds on disposal of property, plant and equipment	9	–	–	9
	(1,182)	–	6	(1,176)
FINANCING ACTIVITIES				
Increase in short-term borrowings	40	–	–	40
Increase in long-term debt	10	–	–	10
Issue of Class B Non-Voting Shares	43	–	–	43
Dividends paid on Class A Shares and Class B Non-Voting Shares	(384)	–	–	(384)
Dividends paid on Preferred Shares	(8)	–	–	(8)
Other	(1)	–	–	(1)
	(300)	–	–	(300)
Increase (decrease) in cash	(123)	–	–	(123)
Cash, beginning of the period	507	–	–	507
Cash, end of the period	384	–	–	384

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company would recognize a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low-value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, upon adoption of IFRS 16, we will recognize a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense, an increase to depreciation and amortization, due to the depreciation of the right-of-use asset, and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the current standard, although actual cash flows will be unaffected, the Company's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

  We do not expect significant impacts for contracts in which we are the lessor.

  Implementation

  We continue to make progress towards adoption of IFRS 16, including the implementation of a new lease system that enables us to comply with the requirements of the standard on a contract-by-contract basis. Changes and enhancements to business processes and systems of internal control are also being completed.

  We will adopt IFRS 16 on September 1, 2019, using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. The cumulative effect of the initial application of the new standard will be recognized at the date of initial application. Generally, right-of-use assets at transition will be measured at an amount equal to the corresponding lease liabilities, adjusted for any prepaid or accrued rent outstanding. We do not intend to elect the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and lease-by-lease basis, respectively, in the future.

  As permitted by IFRS 16, we will apply certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:

  - not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component
  - apply a single discount rate to a portfolio of leases with similar characteristics
  - exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019
  - use hindsight in determining the lease term where the contract contains purchase, extension, or termination options

Effect of Transition to IFRS 16

While our testing, data validation, and assessment process is ongoing, our preliminary estimated effect of transition to IFRS 16 on our Consolidated Statements of Financial Position as at September 1, 2019 is as follows:

(billions of Canadian dollars)	As reported as at August 31, 2019	Estimated effect of IFRS 16 transition	Subsequent to transition as at September 1, 2019
Current assets	0.3	**	0.3
Non-current assets	4.9	1.3	6.2
Current liabilities	1.3	0.2	1.5
Non-current liabilities	6.0	1.1	7.1
Shareholders' equity	6.3	**	6.3

** Amounts less than $0.1 billion.

Upon adoption of the Standard on September 1, 2019, actual amounts could differ from these preliminary estimates.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements. The Company does not expect this standard to have a material effect on its September 1, 2019 balance sheet.

3. ASSET DISPOSITION AND ASSET HELD FOR SALE

Shaw Tracking

In the third quarter of fiscal 2017, the Company entered into an agreement to sell a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation reported within the Company's Wireline segment, for proceeds of approximately US $20 million, net of working capital adjustments. Accordingly, the operating results and operating cash flows of the Tracking business are presented as discontinued operations separate from the Company's continuing operations.

The transaction closed on September 15, 2017 and the Company recognized a loss on the divestiture within income from discontinued operations as follows:

	August 31, 2018
Proceeds on disposal, net of transaction costs of $nil	18
Net assets disposed	(22)
	(4)
Income taxes	2
Loss on divestiture, net of tax	**(6)**

The assets and liabilities disposed of were as follows:

	$
Accounts receivable	6
Inventories	5
Other current assets	1
Other long-term assets	25
Goodwill	24
	61
Accounts payable and accrued liabilities	8
Deferred credits	33
Deferred income tax liabilities	(2)
	22

Results of Discontinued Operations

A reconciliation of the major classes of line items constituting income from discontinued operations, net of tax, as presented in the consolidated statements of income is as follows:

	August 31, 2018
Revenue	**1**
Operating, general and administrative expenses	**–**
Purchases of goods and services	**1**
	1
Income from discontinued operations before loss on divestiture	**–**
Loss on divestiture, net of tax	**(6)**
Loss from discontinued operations, net of tax	**(6)**

4. ACCOUNTS RECEIVABLE

	2019 $	2018 (restated, note 2) $
Subscriber and trade receivables	**370**	305
Due from related parties (note 29)	**–**	–
Miscellaneous receivables	**15**	7
	385	312
Less allowance for doubtful accounts	**(98)**	(59)
	287	253

Included in operating, general and administrative expenses is a provision for doubtful accounts of $40 (2018 – $38).

5. INVENTORIES

	2019 $	2018 (restated, note 2) $
Wireless devices and accessories	**53**	40
DTH subscriber equipment	**33**	21
	86	61

6. OTHER CURRENT ASSETS

	2019 $	2018 (restated, note 2) $
Prepaid expenses	**108**	104
Costs incurred to obtain or fulfill a contract with a customer	**59**	48
Wireless handset receivables	**124**	121
	291	273

7. INVESTMENTS AND OTHER ASSETS

	2019 $	2018 $
Publicly traded companies	–	615
Investments in private entities	**37**	45
	37	660

The Company has a portfolio of minor investments in various private entities. In the third quarter of fiscal 2019, the Company disposed of one of these investments with a book value of $10 for proceeds of $25.

Corus Entertainment Inc.

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. Corus' portfolio of multimedia offerings encompasses 35 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus B Consideration Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares. Although the Class B Corus shares did not have voting rights, the Company was considered to have significant influence due to Board representation. The Company agreed to retain approximately one third of its Corus B Consideration Shares for 12 months post-closing, a second one third for 18 months post-closing, and the final one third for 24 months post-closing, until March 31, 2018.

On May 31, 2019, the Company sold all of its 80,630,383 Class B non-voting participating shares of Corus at a price of $6.80 per share. Proceeds, net of transaction costs were $526, which resulted in a loss of $109. The Company's weighted average ownership of Corus for the nine months ended May 31, 2019 was 38% (2018 – 39%). For the year ended August 31, 2019, the Company received dividends of $10 (2018 – $92) from Corus. At August 31, 2019, the Company owned nil (2018 – 80,630,383) Corus Class B shares having a fair value of $nil (2018 – $298) and representing nil% (2018 – 38%) of the total issued equity of Corus.

Summary financial information for Corus through the disposal date is as follows:

	Nine months ended May 31, 2019	Year ended August 31, 2018
Revenue	**1,310**	1,647
Net income (loss) attributable to:		
Shareholders	**133**	(784)
Non-controlling interest	**19**	26
	152	(758)
Other comprehensive income, attributable to shareholders	**(40)**	25
Comprehensive income (loss)	**112**	(733)
Equity income from associates, excluding goodwill impairment	**46**	84
Impairment of investment in associate (1)	–	(284)
Equity income (loss) from associates (2)	**46**	(200)
Other comprehensive income from equity accounted associates (2)	**(13)**	10
	33	(190)

(1) The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 was required. The recoverable amount was determined based on the value in use of the investment.

(2) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the nine-month period ended May 31, 2019 and year ended August 31, 2018.

Carrying amount at August 31, 2018	**615**
Share of equity at disposition date	**46**
Share of other comprehensive loss of associate	**(13)**
Dividends received to disposition date	**(10)**
Carrying value at disposition date	**638**
Proceeds on disposal, net of transaction costs	**526**
Reclassification of accumulated gain from other comprehensive income related to the sale of an associate	**(3)**
Loss on sale of investment	**109**

8. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2019			**August 31, 2018**		
	Cost $	**Accumulated amortization $**	**Net book value $**	**Cost $**	**Accumulated amortization $**	**Net book value $**
Cable and telecommunications distribution system	**6,876**	**3,456**	**3,420**	6,506	3,142	3,364
Digital cable terminals and modems	**980**	**612**	**368**	927	541	386
Satellite audio, video and data network and DTH receiving equipment	**116**	**56**	**60**	111	46	65
Land and buildings	**640**	**265**	**375**	641	238	403
Data centre infrastructure, data processing and other	**597**	**398**	**199**	679	410	269
Assets under construction	**461**	**–**	**461**	215	–	215
	9,670	**4,787**	**4,883**	9,079	4,377	4,702

Changes in the net carrying amounts of property, plant and equipment for 2019 and 2018 are summarized as follows:

	August 31, 2018						**August 31, 2019**
	Net book value $	**Additions $**	**Transfers $**	**Amortization $**	**Disposals and writedown $**	**Divestment $**	**Net book value $**
Cable and telecommunications distribution system	**3,364**	**306**	**295**	**(540)**	**(1)**	**(4)**	**3,420**
Digital cable terminals and modems	**386**	**218**	**–**	**(236)**	**–**	**–**	**368**
Satellite audio, video and data network and DTH receiving equipment	**65**	**11**	**–**	**(16)**	**–**	**–**	**60**
Land and buildings	**403**	**2**	**4**	**(30)**	**(4)**	**–**	**375**
Data centre infrastructure, data processing and other	**269**	**9**	**18**	**(50)**	**(17)**	**(30)**	**199**
Assets under construction	**215**	**563**	**(317)**	**–**	**–**	**–**	**461**
	4,702	**1,109**	**–**	**(872)**	**(22)**	**(34)**	**4,883**

	August 31, 2017						August 31, 2018
	Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	Divestment $	Net book value $
Cable and telecommunications distribution system	3,112	578	208	(524)	(10)	–	3,364
Digital cable terminals and modems	408	246	–	(268)	–	–	386
Satellite audio, video and data network and DTH receiving equipment	60	19	–	(14)	–	–	65
Land and buildings	428	4	–	(29)	–	–	403
Data centre infrastructure, data processing and other	285	27	11	(54)	–	–	269
Assets under construction	101	333	(219)	–	–	–	215
	4,394	1,207	–	(889)	(10)	–	4,702

In 2019, the Company recognized a gain of $43 (2018 – gain of $1) on the disposal of property, plant and equipment.

9. OTHER LONG-TERM ASSETS

	2019 $	2018 (restated, note 2) $
Equipment costs subject to a deferred revenue arrangement	**93**	121
Long-term Wireless handset receivables	**45**	27
Costs incurred to obtain or fulfill a contract with a customer	**35**	26
Credit facility arrangement fees	**4**	4
Other	**18**	19
	195	197

Amortization provided in the accounts for 2019 amounted to $88 (2018 – $112) and was recorded as amortization of deferred equipment costs and other amortization.

10. INTANGIBLES AND GOODWILL

	2019 $	2018 $
Broadcast rights and licences		
Cable systems	**4,016**	4,016
DTH and satellite services	**1,013**	1,013
	5,029	5,029
Wireless spectrum licences	**2,445**	1,953
Other intangibles		
Software	**451**	434
Customer relationships	**54**	66
	7,979	7,482
Goodwill		
Cable and telecommunications systems	**79**	79
Wireless	**201**	201
	280	280
Net book value	**8,259**	7,762

Broadcast rights and licences, trademark, brands and wireless spectrum licences have been assessed as having indefinite useful lives. While licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licences $	Goodwill $	Wireless spectrum licences $
September 1, 2017	5,029	280	1,947
Additions	–	–	25
Disposition	–	–	(19)
August 31, 2018	**5,029**	**280**	**1,953**
Additions	**–**	**–**	**492**
Disposition	**–**	**–**	**–**
August 31, 2019	**5,029**	**280**	**2,445**

Intangibles subject to amortization are as follows:

	August 31, 2019			August 31, 2018		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	**697**	**257**	**440**	595	183	412
Software under construction	**11**	**–**	**11**	22	–	22
Customer relationships	**114**	**60**	**54**	114	48	66
	822	**317**	**505**	731	231	500

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2017	377	3	79	459
Additions	121	17	–	138
Transfers	(2)	2	–	–
Amortization	(84)	–	(13)	(97)
August 31, 2018	**412**	**22**	**66**	**500**
Additions	**112**	**11**	**–**	**123**
Transfers	**22**	**(22)**	**–**	**–**
Dispositions	**(6)**	**–**	**–**	**(6)**
Amortization	**(100)**	**–**	**(12)**	**(112)**
August 31, 2019	**440**	**11**	**54**	**505**

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2019 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the Cable cash generating unit as at February 1, 2019 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the Satellite cash generating unit as at February 1, 2019 would not result in an impairment loss. The Wireless cash generating unit was created with the acquisition of Freedom on March 1, 2016. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2019 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2019 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2019.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2019, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	6.5%	1.5%	7.4X
Satellite	7.5%	-3.0%	5.4X
Wireless	9.3%	1.0%	4.5X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	16.4%	14.2%	4.8%
Satellite	8.1%	5.6%	5.6%
Wireless	15.2%	7.7%	8.0%

11. SHORT-TERM BORROWINGS

On June 19, 2018 the Company established an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $100. The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables are recognized on the Company's Consolidated Statement of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets. Sale proceeds in respect of the new securitization program of approximately $40 were received on June 19, 2018. The term of this revolving-period agreement was to end on June 19, 2019.

On May 29, 2019, the Company amended the terms of its accounts receivable securitization program to extend the term of the program to May 29, 2022 and increase the sales committed up to a maximum of $200. Under the terms of the amendment, the Company was also required to draw an additional $40 under the program by November 1, 2019. Accordingly, subsequent to year-end on November 1, 2019 the Company increased the amount drawn by $80 to bring the total short-term borrowings from the buyer to $120.

A summary of our accounts receivable securitization program as at August 31 is as follows:

	2019 $	2018 $
Trade accounts receivable sold to buyer as security	**434**	429
Short-term borrowings from buyer	**(40)**	(40)
Overcollateralization	**394**	389

	2019 $	2018 $
Accounts receivable securitization program, beginning of period	**40**	–
Proceeds received from accounts receivable securitization	**–**	40
Repayment of accounts receivable securitization	**–**	–
Accounts receivable securitization program, end of period	**40**	40

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2019 $	2018 (restated, note 2) $
Trade	**114**	97
Program rights	**5**	8
Accrued liabilities	**482**	496
Accrued network fees	**155**	125
Interest and dividends	**244**	227
Related parties (note 29)	**15**	17
	1,015	970

13. PROVISIONS

	Asset retirement obligations	Restructuring[1][2]	Other	Total
September 1, 2017	60	7	76	143
Additions	6	446	25	477
Accretion	1	–	–	1
Reversal	–	–	(13)	(13)
Payments	–	(177)	(7)	(184)
August 31, 2018	67	276	81	424
Additions	**10**	**1**	**28**	**39**
Accretion	**1**	**–**	**–**	**1**
Reversal [3]	**–**	**(10)**	**–**	**(10)**
Payments	**–**	**(124)**	**(27)**	**(151)**
August 31, 2019	**78**	**143**	**82**	**303**
Current	–	166	79	245
Long-term	67	110	2	179
August 31, 2018	67	276	81	424
Current	**–**	**142**	**82**	**224**
Long-term	**78**	**1**	**–**	**79**
August 31, 2019	**78**	**143**	**82**	**303**

(1) During 2017, the Company restructured certain operations within the Wireline segment and announced a realignment to integrate certain Consumer/Business operations and Freedom Mobile. In fiscal 2019, a total of $3 has been paid (2018 – $5).

(2) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the second half of 2018 additional changes to its organizational structure as part of a total business transformation initiative. In connection with the restructuring, the Company recorded $446 in 2018 primarily related to severance and employee related costs in respect of the approximate 3,300 affected employees. In fiscal 2019, a total of $121 has been paid (2018 – $172). The remaining costs are expected to be paid within the next 17 months.

(3) During the year, certain employees and the Company agreed to rescind earlier elections under the voluntary departure program.

14. LONG-TERM DEBT

		2019			2018		
	Effective interest rates %	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $	Long-term debt at amortized cost(1) $	Adjustment for finance costs(1) $	Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,250**	**–**	**1,250**	1,248	2	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	499	1	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	–	–	–
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,420**	**30**	**1,450**	1,419	31	1,450
		5,258	**42**	**5,300**	4,261	39	4,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**–**	**50**	50	–	50
Total consolidated debt		**5,308**	**42**	**5,350**	4,311	39	4,350
Less current portion		**1,251**	**1**	**1,252**	1	–	1
		4,057	**41**	**4,098**	4,310	39	4,349

(1) Long-term debt is presented net of unamortized discounts and finance costs.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility. On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023. Subsequent to year-end, on November 21, 2019, the Company further extended the term from December 2023 to December 2024. This credit facility can be used for working capital and general corporate purposes.

Funds are available to the Company in both Canadian and US dollars. At August 31, 2019, $3 (2018 – $2) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2019 was nil (2018 – nil). The effective interest rate on the revolving term facility for 2019 was nil (2018 – nil).

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On November 2, 2018, the Company issued $500 senior notes at a rate of 3.80% due November 2, 2023 and $500 senior notes at a rate of 4.40% due November 2, 2028.

Subsequent to year-end, on October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

Other

Burrard Landing Lot 2 Holdings Partnership (the "Partnership")

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

In February 2018, the Partnership received an additional mortgage loan of $30 and used the proceeds to loan excess funds to each of its partners, of which the Company received $10. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2019.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2020	1,251
2021	801
2022	1
2023	501
2024	501
Thereafter	2,295
	5,350

Interest expense

	2019 $	2018 $
Interest expense – long-term debt	**280**	245
Amortization of senior notes discounts	**1**	1
Interest income – short-term (net)	**(29)**	(6)
Interest expense – other	**6**	8
	258	248

15. OTHER LONG-TERM LIABILITIES

	2019 $	2018 $
Pension liabilities (note 28)	**69**	10
Post retirement liabilities (note 28)	**4**	3
Other	**2**	–
	75	13

16. DEFERRED CREDITS

	2019 $	2018 (restated, note 2) $
IRU prepayments	**400**	411
Equipment revenue	**23**	29
Deposit on future fibre sale	**2**	2
	425	442

Amortization of deferred credits for 2019 amounted to $34 (2018 – $42) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2019 amounted to $13 (2018 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2019 amounted to $21 (2018 – $30).

17. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A voting participating shares ("Class A Shares") of no par value, as described below, and an unlimited number of Class B non-voting participating shares ("Class B Non-Voting Shares") of no par value, Class 1 preferred shares, Class 2 preferred shares, Class A preferred shares and Class B preferred shares.

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2019	2018		2019 $	2018 $
Number of securities				
22,372,064	22,420,064	Class A Shares	**2**	2
494,389,771	484,194,344	Class B Non-Voting Shares	**4,310**	4,054
10,012,393	10,012,393	Series A Preferred Shares	**245**	245
1,987,607	1,987,607	Series B Preferred Shares	**48**	48
528,761,835	518,614,408		**4,605**	4,349

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2019 and 2018 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2017	22,420,064	2	474,350,861	3,795
Stock option exercises	–	–	1,854,594	48
Dividend reinvestment plan	–	–	7,988,889	211
August 31, 2018	22,420,064	2	484,194,344	4,054
Stock option exercises	**–**	**–**	**1,658,465**	**39**
Dividend reinvestment plan	**–**	**–**	**8,488,962**	**217**
Class A conversion to Class B	**(48,000)**	**–**	**48,000**	**–**
August 31, 2019	**22,372,064**	**2**	**494,389,771**	**4,310**

Series A and B Preferred Shares

The Cumulative Redeemable Rate Reset Preferred Shares, Series A ("Series A Preferred Shares") and Series B ("Series B Preferred Shares") represent series of class 2 preferred shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

Normal Course Issuer Bid Program

Subsequent to year-end, on October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Shares representing 5% of all of the issued and outstanding Class B Shares as at October 18, 2019. As of November 15, 2019, the Company has purchased 483,428 Class B Non-Voting Shares for cancellation for a total cost of approximately $13 million under the NCIB.

18. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under a stock option plan, directors, officers, employees and consultants of the Company are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant. Options granted up to August 31, 2019 vest evenly on the anniversary dates from the original grant date at either 25% per year over four years or 20% per year over five years. The options must be issued at not less than the fair market value of the Class B Non-Voting Shares at the date of grant. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 62,000,000. As at August 31, 2019, 39,229,679 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2019		2018	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**9,378,966**	**25.18**	10,158,005	24.45
Granted	**1,540,000**	**26.36**	2,790,000	27.17
Forfeited	**(897,470)**	**26.66**	(1,714,445)	26.45
Exercised (1)	**(1,658,465)**	**20.76**	(1,854,594)	23.05
Outstanding, end of year	**8,363,031**	**26.11**	9,378,966	25.18

(1) The weighted average Class B Non-Voting Share price for the options exercised was $26.91.

The following table summarizes information about the options outstanding at August 31, 2019:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$18.79 - $20.80	309,891	1.12	19.59	309,891	19.59
$20.81 - $24.21	1,235,010	5.40	23.49	842,460	23.37
$24.22 - $26.22	1,086,750	6.67	25.18	620,100	25.08
$26.23 - $27.19	2,906,225	8.10	26.43	692,325	26.49
$27.20 - $30.87	2,825,155	7.14	28.01	1,315,205	28.12

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2019 was $2.07 (2018 – $2.11) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2019	2018
Dividend yield	**4.50%**	4.37%
Risk-free interest rate	**2.08%**	1.88%
Expected life of options	**7 years**	6 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**16.30%**	16.30%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Restricted share unit and Performance share unit plan

The Company has an RSU/PSU plan which provides that RSUs may be granted to directors, officers and employees of the Company and PSUs may be granted to officers and employees of the Company. Vested RSUs and PSUs will be settled in either cash or Class B Non-Voting Shares as determined by the Human Resources and Compensation Committee at the time of the grant. The cash payout will be based on the market value of a Class B Non-Voting Share at the time of the payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with additional RSUs or PSUs, as applicable, equal to the dividend.

For PSUs, the performance criteria is set by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payout is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Non-Voting Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

During 2019, $5 was recognized as compensation expense (2018 – $3). The carrying value and intrinsic value of RSUs at August 31, 2019 was $7 and $7, respectively (August 31, 2018 – $3 and $3, respectively).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors can elect to receive their annual cash compensation, or a portion thereof, in DSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2019, $nil was recognized as compensation expense (2018 – $2). The carrying value and intrinsic value of DSUs at August 31, 2019 was $24 and $20, respectively (August 31, 2018 – $24 and $20, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all non-unionized full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions, increasing to 33% once an employee reaches 10 years of continuous service.

During 2019, $6 was recorded as compensation expense (2018 – $7).

19. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share calculations are as follows:

	2019	2018 (restated, note 2)
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**733**	39
Deduct: net income attributable to non-controlling interests in subsidiaries	**(2)**	–
Deduct: dividends on Preferred Shares	**(9)**	(8)
Net income attributable to common shareholders from continuing operations	**722**	31
Loss from discontinued operations attributable to common shareholders	**–**	(6)
Net income attributable to common shareholders	**722**	25
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**511**	502
Effect of dilutive securities [(1)]	**–**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**511**	503
Basic earnings (loss) per share ($)		
Continuing operations	**1.41**	0.06
Discontinued operations	**–**	(0.01)
Attributable to common shareholders	**1.41**	0.05
Diluted earnings (loss) per share ($)		
Continuing operations	**1.41**	0.06
Discontinued operations	**–**	(0.01)
Attributable to common shareholders	**1.41**	0.05

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2019, 6,126,210 options were excluded from the diluted earnings per share calculation (2018 – 4,263,940).

20. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend at a rate of $0.0025 per share per annum. This additional dividend is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing

June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Cumulative Redeemable Floating Rate Preferred Shares, Series B (the "Series B Preferred Shares"), subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%

Dividend reinvestment plan

The Company has a Dividend Reinvestment Plan ("DRIP") that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada and, effective December 16, 2016, the United States, to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. As at and for the years ended August 31, 2019 and August 31, 2018, Class B Non-Voting Shares distributed under the Company's DRIP were new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

Subsequent to year-end, on October 24, 2019, and in accordance with the terms of our Dividend Reinvestment Plan (the "DRIP"), the Company's Board of Directors approved changes to the Company's DRIP program. In lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Shares on the open market. In addition, the Company will reduce its discount from 2% to 0% for the Class B Shares delivered under the DRIP. These changes to the DRIP will apply to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2019 and 2018 are as follows:

2019		2018	
Class A Voting Share	Class B Non-Voting Share	Class A Voting Share	Class B Non-Voting Share
1.1825	1.1850	1.1825	1.1850

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2018 and 2017 are as follows:

2019		2018	
Series A Preferred Share	**Series B Preferred Share**	**Series A Preferred Share**	**Series B Preferred Share**
0.6978	0.9119	0.6978	0.7553

On June 27, 2019, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.23044 per Series B Preferred Share which were paid on September 30, 2019. The total amount paid was $2 of which $1 was not recognized as at August 31, 2019.

On October 25, 2019, the Company declared dividends of $0.098542 per Class A Voting Share and $0.09875 per Class B Non-Voting Share payable on each of December 30, 2019, January 30, 2020 and February 27, 2020 to shareholders of record at the close of business on December 13, 2019, January 15, 2020 and February 14, 2020, respectively.

On October 25, 2019, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.22738 per Series B Preferred Share payable on December 31, 2019 to holders of record at the close of business on December 13, 2019.

21. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2019 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**3**	**(1)**	**2**
Adjustment for hedged items recognized in the period	**(3)**	**1**	**(2)**
Share of other comprehensive income of associates	**(13)**	**–**	**(13)**
Reclassification of accumulated loss to income related to the sale of an associate	**(3)**	**–**	**(3)**
	(16)	**–**	**(16)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:	**(52)**	**13**	**(39)**
	(68)	**13**	**(55)**

Components of other comprehensive income and the related income tax effects for 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	7	(2)	5
Adjustment for hedged items recognized in the period	4	(1)	3
Share of other comprehensive income of associates	10	–	10
	21	(3)	18
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	101	(27)	74
	122	(30)	92

Accumulated other comprehensive loss is comprised of the following:

	2019 $	2018 $
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	–
Share of other comprehensive income of associates	**18**	18
Reclassification of accumulated loss to income related to the sale of an associate	**(18)**	–
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:	**(95)**	(57)
	(94)	(39)

22. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
September 1, 2017	59	235
Increase in contract assets from revenue recognized during the period	198	–
Contract assets transferred to trade receivables	(118)	–
Contract terminations transferred to trade receivables	(4)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(225)
Increase in contract liabilities during the period	–	234
August 31, 2018	135	244
Increase in contract assets from revenue recognized during the period	**179**	**–**
Contract assets transferred to trade receivables	**(145)**	**–**
Contract terminations transferred to trade receivables	**(11)**	**–**
Revenue recognized included in contract liabilities at the beginning of the year	**–**	**(236)**
Increase in contract liabilities during the period	**–**	**230**
August 31, 2019	**158**	**238**

	Contract Assets	Contract Liabilities
Current	103	226
Long-term	32	18
Balance as at September 1, 2018	135	244
Current	**106**	**223**
Long-term	**52**	**15**
Balance as at August 31, 2019	**158**	**238**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the year ended August 31, 2019 and 2018. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

September 1, 2017	57
Additions to deferred commission cost assets	70
Amortization recognized on deferred commission cost assets	(52)
August 31, 2018	75
Additions to deferred commission cost assets	**85**
Amortization recognized on deferred commission cost assets	**(66)**
August 31, 2019	**94**
Current	50
Long-term	25
Balance as at September 1, 2018	75
Current	**59**
Long-term	**35**
Balance as at August 31, 2019	**94**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	2019 $	2018 (restated, note 2) $
Services		
Wireline – Consumer	**3,707**	3,725
Wireline – Business	**593**	567
Wireless	**694**	564
	4,994	4,856
Equipment and other		
Wireless	**353**	337
	353	337
Intersegment eliminations	**(7)**	(4)
Total revenue	**5,340**	5,189

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at August 31, 2019:

	Within 1 year $	Within 2 years $	Total $
Wireline	2,747	1,211	3,958
Wireless	362	145	507
Total	**3,109**	**1,356**	**4,465**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

23. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2019 $	2018 (restated, note 2) $
Employee salaries and benefits [1]	**663**	1,158
Purchases of goods and services	**2,514**	2,420
	3,177	3,578

[1] For the year ended August 31, 2019, employee salaries and benefits include a recovery of $9 in employee-related restructuring costs compared to $423 in restructuring costs for the year ended August 31, 2018.

24. OTHER GAINS (LOSSES)

	2019 $	2018 (restated, note 2) $
Gain on disposal of fixed assets and intangibles	**32**	15
Gain on disposal of non-core business	**6**	–
Gain on disposal of investment	**15**	–
Other [1]	**(3)**	17
	50	32

[1] Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

25. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2019 $	2018 (restated, note 2) $
Deferred tax assets	**4**	4
Deferred tax liabilities	**(1,875)**	(1,884)
Net deferred tax liability	**(1,871)**	(1,880)

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licences, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at September 1, 2017 (restated, note 2)	(265)	(1,680)	39	51	(4)	(1,859)
Recognized in statement of income	(22)	(53)	(10)	17	77	9
Recognized in other comprehensive income	–	–	–	–	(30)	(30)
Balance at August 31, 2018	(287)	(1,733)	29	68	43	(1,880)
Recognized in statement of income	**(12)**	**107**	**(61)**	**25**	**(63)**	**(4)**
Recognized in other comprehensive income	**–**	**–**	**–**	**–**	**13**	**13**
Balance at August 31, 2019	**(299)**	**(1,626)**	**(32)**	**93**	**(7)**	**(1,871)**

The Company has capital loss carryforwards of approximately $44 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $446 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2036.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2019	2018 (restated, note 2)
Current statutory income tax rate	**26.8%**	26.9%
Income tax expense at current statutory rates	**228**	45
Net increase (decrease) in taxes resulting from:		
Effect of tax rate changes	**(102)**	28
Equity (income) loss of an associate not recognized	**(12)**	54
Other	**4**	1
Income tax expense	**118**	128

The statutory income tax rate for the Company decreased from 26.9% in 2018 to 26.8% in 2019 as a result of provincial tax rate changes.

The components of income tax expense are as follows:

	2019 $	2018 (restated, note 2) $
Current income tax expense	**114**	137
Deferred tax expense (recovery) related to temporary differences	**106**	(37)
Deferred tax expense (recovery) from tax rate changes	**(102)**	28
Income tax expense	**118**	128

26. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, President and Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. As a result of the restructuring undertaken in 2017, the Company reorganized and integrated its management structure, previously separated in the Consumer and Business Network Services segments, into a combined Wireline segment, as costs were becoming increasingly inseparable between these segments. There was no change to the Wireless operating segment. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

	2019 $	2018 (restated, note 2) $
Revenue		
Wireline	**4,300**	4,292
Wireless	**1,047**	901
	5,347	5,193
Intersegment eliminations	**(7)**	(4)
	5,340	5,189
Operating income before restructuring costs and amortization		
Wireline	**1,955**	1,915
Wireless	**199**	142
	2,154	2,057
Restructuring costs [(1)]	**9**	(446)
Amortization [(1)]	**(1,038)**	(1,025)
Operating income	**1,125**	586
Interest [(1)]		
Operating	**255**	247
Other/non-operating	**2**	1
	257	248
Current taxes [(1)]		
Operating	**114**	166
Other/non-operating	**–**	(29)
	114	137

(1) The Company does not report restructuring costs, amortization, interest or cash taxes on a segmented basis.

Capital expenditures

	2019 $	2018 (restated, note 2) $
Capital expenditures accrual basis		
Wireline	**784**	965
Wireless	**385**	343
	1,169	1,308
Equipment costs (net of revenue)		
Wireline	**43**	53
Capital expenditures and equipment costs (net)		
Wireline	**827**	1,018
Wireless	**385**	343
	1,212	1,361
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**1,109**	1,121
Additions to equipment costs (net)	**42**	49
Additions to other intangibles	**147**	131
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,298**	1,301
Increase (decrease) in working capital and other liabilities related to capital expenditures	**(28)**	65
Decrease in customer equipment financing receivables	**1**	4
Less: Proceeds on disposal of property, plant and equipment	**(59)**	(9)
Total capital expenditures and equipment costs (net) reported by segments	**1,212**	1,361

27. COMMITMENTS AND CONTINGENCIES

Commitments

(i) The Company has various long-term operating commitments as follows:

	$
2020	681
2021 – 2024	859
Thereafter	362
	1,902

Comprised of:	$
Lease of transmission facilities and premises	474
Lease and maintenance of transponders	445
Purchase obligations	983
	1,902

(ii) The Company owns and leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and licence fees for each transponder from the time the satellite becomes operational for a period of 15 years.

Included in operating, general and administrative expenses are transponder maintenance expenses of $84 (2018 – $84) and rental expenses of $164 (2018 – $153).

(iii) At August 31, 2019, the Company had capital expenditure commitments in the normal course of business of $181 in respect of fiscal 2020 to 2025.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2019, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2019, the guarantee instruments amounted to $6. The Company has not recorded any additional liability with respect to these guarantees, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The guarantee instruments mature at various dates during fiscal 2020 to fiscal 2022.

28. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. Effective January 1, 2019, the Company introduced a voluntary pension contribution matching program whereby, in addition to the 5% of Company contributions, employees who make voluntary contributions will receive a 25% match on contributions up to 5% of their eligible earnings. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $31 (2018 – $32) of which $23 (2018 – $21) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2019	2018
Non-registered plans		
Accrued benefit obligation	**505**	446
Fair value of plan assets	**436**	436
Accrued benefit liabilities and deficit	**69**	10

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficiency. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To mitigate some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan ("SERP") for certain of its senior executives. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan ("ERP") for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2019 Total $	SERP $	ERP $	2018 Total $
Accrued benefit obligation, beginning of year	**429**	**17**	**446**	518	14	532
Current service cost	**5**	**6**	**11**	6	8	14
Interest cost	**16**	**1**	**17**	17	1	18
Payment of benefits to employees	**(17)**	**(1)**	**(18)**	(18)	(7)	(25)
Transfer from DC plan	**–**	**1**	**1**	–	3	3
Remeasurements:						
Effect of changes in demographic assumptions	**(4)**	**–**	**(4)**	(5)	–	(5)
Effect of changes in financial assumptions	**53**	**3**	**56**	–	–	–
Effect of experience adjustments [1]	**(4)**	–	**(4)**	(89)	(2)	(91)
Accrued benefit obligation, end of year	**478**	**27**	**505**	429	17	446
Fair value of plan assets, beginning of year	**421**	**15**	**436**	420	13	433
Employer contributions	**–**	**5**	**5**	–	5	5
Interest income	**15**	**1**	**16**	15	1	16
Transfer from DC plan	**–**	**1**	**1**	–	3	3
Payment of benefits	**(17)**	**(2)**	**(19)**	(18)	(7)	(25)
Return on plan assets, excluding interest income	**(2)**	**(1)**	**(3)**	4	–	4
Fair value of plan assets, end of year	**417**	**19**	**436**	421	15	436
Accrued benefit liability and plan deficit, end of year	**61**	**8**	**69**	8	2	10

[1] In the second quarter of fiscal 2018, a remeasurement related to the effect of experience adjustments of $85 was recognized to reflect the decrease in the accrued benefit obligation due to demographic experience in the quarter.

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2019 is 17.2 years and 20.0 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2019 are invested in the following:

	SERP	ERP
Cash and cash equivalents	**206**	**14**
Fixed income securities	**72**	**2**
Equity securities – Canadian	**43**	**1**
Equity securities – Foreign	**96**	**2**
	417	**19**

All fixed income and equity securities have a quoted price in active market.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2019 SERP %	2019 ERP %	2018 SERP %	2018 ERP %
Discount rate	**2.90**	**2.90**	3.70	3.70
Rate of compensation increase	**3.00**[1]	**3.00**	3.00[1]	3.00

Benefit cost for the year	2019 SERP %	2019 ERP %	2018 SERP %	2018 ERP %
Discount rate	**3.70**	**3.70**	3.70	3.70
Rate of compensation increase	**3.00**[(1)]	**3.00**	3.00[(1)]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2019 by $88. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $14.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP	ERP	2019 Total	SERP	ERP	2018 Total
Current service cost	**5**	**6**	**11**	6	8	14
Interest cost	**16**	**1**	**17**	17	1	18
Interest income	**(15)**	**(1)**	**(16)**	(15)	(1)	(16)
Pension expense	**6**	**6**	**12**	8	8	16

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2019	2018
Accrued benefit obligation and plan deficit, beginning of year	**3**	4
Current service cost	**–**	–
Interest cost	**–**	–
Payment of benefits to employees	**–**	–
Remeasurements:		
Effect of changes in demographic assumptions	**1**	(1)
Accrued benefit obligation and plan deficit, end of year	**4**	3

The weighted average duration of the benefit obligation at August 31, 2019 is 17.2 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $nil (2018 – $nil) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2019 were 3.70% and 2.90%, respectively (2018 – 3.80% and 3.70%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2019 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2020 is $6.

29. RELATED PARTY TRANSACTIONS

Controlling shareholder

The majority of the Class A Shares are held by the Shaw Family Living Trust ("SFLT"). The sole trustee of SFLT is a private company owned by JR Shaw and having a board comprised of seven directors, including JR Shaw as chair, Bradley S. Shaw, four other members of his family, and one independent director. JR Shaw and members of his family are represented as Directors, Senior Executive and Corporate Officers of the Company.

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada.

	Ownership Interest	
	August 31, 2019	**August 31, 2018**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Cablesystems (VCI) Ltd.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Freedom Mobile Inc.	**100%**	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2019 $	**2018 $**
Short-term employee benefits	**29**	25
Post-employment pension benefits	**9**	8
Termination benefits	**–**	7
Share-based compensation	**2**	4
	40	44

Transactions

The Company paid $2 (2018 – $2) for collection, installation and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $12 (2018 – $12) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

During the year, network fees of $27 (2018 – $26) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2019, the Company had $4 owing in respect of these transactions (2018 – $4).

On May 15, 2019, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of Shaw Family Living Trust ("SFLT") (the "Purchaser"), for total net proceeds of approximately $45. The Property had a net book value of approximately $4 resulting in a gain on disposition of approximately $41. The purchase price was determined based on appraisals performed by two independent valuators. As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which was also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company.

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $124 (2018 – $133), advertising fees of $2 (2018 – $4), programming fees of $16 (2018 – $16), and administrative fees of $4 (2018 – $2) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $5 (2018 – $5), uplink of television signals for $8 (2018 – $8), and Internet services and lease of circuits for $1 (2018 – $1). At August 31, 2019, the Company had a net of $11 owing in respect of these transactions (2018 – $13).

The Company provided Corus with advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $10 (2018 – $12) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2019, the Company had a remaining commitment of $55 in respect of the office space lease which is included in the amounts disclosed in note 27.

30. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of an investment in a publicly traded company and long-term debt are as follows:

	August 31, 2019		August 31, 2018	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Assets				
Investment in publicly traded company [(1)]	–	–	615	298
Liabilities				
Long-term debt (including current portion) [(2)]	**5,308**	**6,014**	4,311	4,788

(1) Level 1 fair value – determined by quoted market prices.
(2) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and equipment costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and equipment costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2019, the Company entered into forward contracts to purchase US $96 over a period of 12 months commencing in September 2018 at an average exchange rate of 1.2915 Cdn. At August 31, 2019 the Company had forward contracts to purchase US $72 over a period of 12 months commencing September 2019 at an average exchange rate of 1.3115 Cdn in respect of US dollar commitments.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in Note 14.

Interest on the Company's unsecured banking facility and AR securitization program are based on floating rates, while the senior notes are fixed-rate obligations. When drawn, the Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2019, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $7 net of tax (2018 – $9). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility is based on floating rates. As at August 31, 2019 there is no significant market risk arising from interest rate fluctuations within a reasonably contemplated range from their actual amounts.

At August 31, 2019, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 (August 31, 2018 – $1) in respect of the Company's DSU, RSU, and PSU plans.

Credit risk

Accounts receivable in respect of the Consumer, Business and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2019, the Company had accounts receivable of $287 (August 31, 2018 – $255), net of the allowance for doubtful accounts of $98 (August 31, 2018 – $57). The Company maintains an allowance for doubtful accounts for the estimated losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2019, $158 (August 31, 2018 – $123) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2019 are as follows:

	Short-term borrowings	Accounts payable and accrued liabilities[(1)]	Other Long-Term Liabilities	Long-term debt repayable at maturity	Interest payments
Within one year	40	1,015	–	1,251	217
1 to 3 years	–	–	1	802	360
3 to 5 years	–	–	1	1,002	320
Over 5 years	–	–	1	2,295	1,608
	40	1,015	3	5,350	2,505

(1) Includes accrued interest and dividends of $244.

31. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from continuing operations

	2019 $	2018 (restated, note 2) $
Net income from continuing operations	**733**	39
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**1,041**	1,028
Deferred income tax expense (recovery)	**4**	(9)
Share-based compensation	**3**	3
Defined benefit pension plans	**7**	11
Equity (income)/ loss of an associate or joint venture	**(46)**	200
Loss on disposal of an associate or joint venture	**109**	–
Gain on disposal of investments	**(15)**	–
Net change in contract asset balances	**(23)**	(76)
Gain on disposal of fixed assets and intangibles	**(32)**	(15)
Other	**(4)**	(4)
Funds flow from continuing operations	**1,777**	1,177

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	2019 $	2018 $
Interest paid	**230**	239
Income taxes paid (net of refunds)	**166**	155
Interest received	**29**	4

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2019 $	2018 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan (note 20)	**217**	211

32. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), short-term borrowings and bank indebtedness less cash and cash equivalents.

	2019 $	2018 (restated, note 2) $
Cash	**(1,446)**	(384)
Short-term borrowings	**40**	40
Long-term debt repayable at maturity	**5,350**	4,350
Share capital	**4,605**	4,349
Contributed surplus	**26**	27
Retained earnings	**1,745**	1,632
	10,320	10,014

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2019, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

33. SUBSEQUENT EVENTS

On October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

Subsequent to year-end, on October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (the “DRIP”), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Shares on the open market. In addition, the Company will reduce its discount from 2% to 0% for the Class B Shares delivered under the DRIP. These changes to the DRIP will apply to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

Subsequent to year-end, on October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange (“TSX”) to establish a normal course issuer bid (“NCIB”) program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Shares representing 5% of all of the issued and outstanding Class B Shares as at October 18, 2019. As of November 15, 2019, the Company has purchased 483,428 Class B Non-Voting Shares for cancellation for a total cost of approximately $13 million under the NCIB.

On November 21, 2019, the Company extended the term of its $1.5 billion bank credit facility from December 2023 to December 2024. This credit facility is used for working capital and general corporate purposes.

Corporate Information

DIRECTORS

JR Shaw[4]
Executive Chair
Shaw Communications Inc.

Peter J. Bissonnette[2]
Corporate Director

Adrian L. Burns[2] [4]
Corporate Director

Christy Clark[3]
Corporate Director

Dr. Richard R. Green[1]
Corporate Director

Gregory John Keating[3]
Chairman and Chief
Executive Officer
Altimax Venture Capital

Michael W. O'Brien[1] [4]
Corporate Director

Paul K. Pew[3] [4]
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer[1]
Private Investor

Bradley S. Shaw[4]
Chief Executive Officer
Shaw Communications Inc.

Mike Sievert
President, Chief Operating Officer
and Director of T-Mobile

JC Sparkman[2] [4]
Corporate Director

Carl E. Vogel[1]
Private Investor; Senior Advisor to
DISH Network

Sheila C. Weatherill[3]
Corporate Director

Willard (Bill) H. Yuill[2]
Chairman and Chief
Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

JR Shaw
Executive Chair

Bradley S. Shaw
Chief Executive Officer

Jay Mehr
President

Trevor English
Executive Vice President, Chief
Financial & Corporate
Development Officer

Peter Johnson
Executive Vice President, Chief
Legal and Regulatory Officer

Dan Markou
Executive Vice President, Chief
People and Culture Officer

Zoran Stakic
Chief Operating Officer & Chief
Technology Officer

Katherine Emberly
President, Business, Brand
Marketing & Communications

Paul McAleese
President, Wireless

CORPORATE OFFICE

Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: *www.shaw.ca*

CORPORATE GOVERNANCE

Information concerning Shaw's corporate governance policies is contained in the Information Circular and is also available on Shaw's website, *www.shaw.ca.*

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the investors section on Shaw's website, *www.shaw.ca.*

INTERNET HOME PAGE

Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at *www.shaw.ca.*

AUDITORS

Ernst & Young LLP

PRIMARY BANKER

The Toronto-Dominion Bank

TRANSFER AGENTS

AST Trust Company,
600 The Dome Tower
333 – 7th Avenue SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE

Computershare Trust
Company of Canada
100 University Avenue,
9th Floor
Toronto, Ontario, M5J 2Y1
Phone: 1-800-564-6253

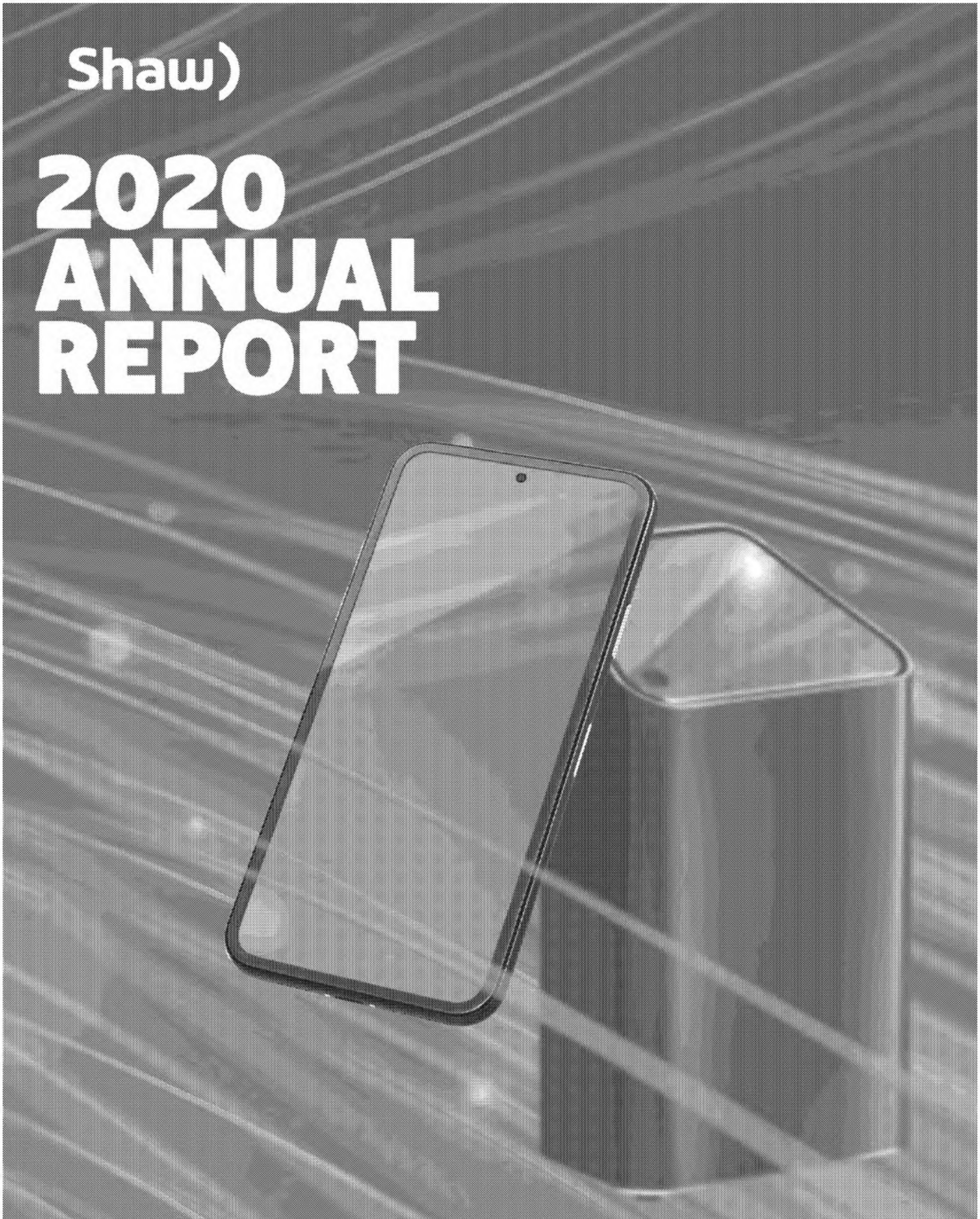
FURTHER INFORMATION

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at *www.shaw.ca* for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email *investor.relations@sjrb.ca.*

Shaw)

This is Exhibit 30 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.


Shaw)
2020
ANNUAL
REPORT

Dear Fellow Shareholders:

Fiscal 2020 marked an unprecedented year for our Company, our country and for people around the world with the emergence of the COVID-19 pandemic. While it caused significant uncertainty and brought about rapid change in virtually every aspect of our lives, it also highlighted the resiliency and financial strength of our Company as well as the critical nature of our highly capable facilities-based infrastructure, which exists today because of our long history of significant investments in our network for the benefit of Canadians and our economy.

As the pandemic intensified throughout 2020, our priority was the safety of our employees and customers and supporting the communities in which we serve. We quickly transitioned the majority of our employees to work from home, where they remain productive, engaged and focused on providing a continuous high-quality connectivity experience for our customers, even as data traffic and peak usage soared. As a responsible corporate citizen, we took decisive action to provide additional free services, financial resources as well as devices and connectivity to our communities and those most impacted by the pandemic.

We entered this crisis from a position of strength and the strategic plan that we have been executing over several years was key to our solid performance over this rapidly evolving and uncertain period. Our purpose is in connecting customers to the world through a best-in-class seamless connectivity experience and this year was no exception. While managing through a global pandemic, we also introduced new products and services for our customers by leveraging our converging wireline and wireless networks which are innovative, affordable and stay ahead of customer expectations. Despite the unique and challenging environment, our consistent focus on this strategy and continued significant capital investments in excess of $1 billion, supported year-over-year growth in our business and a nearly 40% increase in free cash flow, exceeding our financial commitments for the year.

Wireless

Our efforts continue to focus on scaling our Wireless business through driving an overall enhanced customer experience and delivering Canadians better value. Fiscal 2020 saw the continued investments in vital areas such as spectrum deployment, foundational investments for the delivery of 5G services, further expansion of our retail presence and the exciting launch of Shaw Mobile, despite the challenging background.

The COVID-19 pandemic caused the temporary closure of the vast majority of our retail network, impacting Wireless customer growth, resulting in approximately 160,000 new Wireless customers in fiscal 2020; however, it also showcased our strong operating leverage as we delayed new customer acquisition investments during this lower growth period. Wireless service revenue grew an impressive 17.4% to $815 million, a key factor supporting our improved Wireless margin in the year. Our wireless strategy continues to focus on increasing our market share, particularly in western Canada with the addition of Shaw Mobile, and improving Wireless profitability.

The launch of Shaw Mobile on July 30, 2020 was a significant milestone that will fuel the next chapter of our wireless growth story. Shaw Mobile provides Shaw Internet customers with bundling opportunities to take advantage of unprecedented savings, combined with the ability to customize their mobile data requirements through two rate plans – By The Gig and Unlimited Data. Shaw Mobile is a powerful example of how facilities-based service providers can compete and innovate to deliver true wireless affordability. As we expand our retail presence, Shaw Mobile is now available in 24 Shaw retail locations and, combined with our national retail partner stores, over 140 locations in Alberta and British Columbia. Freedom Mobile continues to be available in over 700 retail locations.

Wireline

Our Wireline business delivered another year of consistent and stable performance, including margin improvement in the face of COVID-19 adversity. As customers moved their offices and classrooms home, our extensive Fibre+ network was the true workhorse maintaining these critical connections, without interruption. In the second half of fiscal 2020, we experienced a dramatic increase in data traffic by up to 50% and extended peak hours of usage; however, years of network related investments, including Shaw's industry leading Mid-Split program, had us well prepared to handle the surge in demand. In fact, not only did we maintain our high-quality network performance in fiscal 2020, we introduced even faster Internet speeds to our customers with the launch of Shaw Fibre+ Gig Internet to over 99% of our Wireless customer footprint in western Canada.

Long before we entered this new environment, where we must practice social distancing, we recognized that we needed to evolve towards becoming a digital-first organization and we continued to advance initiatives that quickly became a strategic differentiator for Shaw. A key tenet of this strategy was to drive the adoption of customer self-install, which increased significantly, reaching 79% in the last quarter of fiscal 2020 compared to 45% in the prior year, allowing new and existing customers to get the latest broadband technology from Shaw without having to schedule an appointment.

Shaw Business encountered new challenges this year as businesses across the country were faced with a difficult environment due to the pandemic. Our role as a trusted advisor along with the strength of our network and Smart suite product offering, including new services to meet the demands for more robust work from home solutions, reinforce our strong position in the market.

Looking ahead

We have successfully demonstrated the resilient nature of our business, our agility in operating in this environment and our ability to deliver growth throughout one of the most unique and challenging years in our history. In addition to navigating a new environment brought forth by the COVID-19 pandemic, we are also sadly forging ahead without our Company founder, JR Shaw, who passed in March of this year. His stewardship, guidance, and insight have been missed over this difficult period; however, his unwavering commitment and passion to provide an exceptional customer experience remains forever engrained in our culture.

As we embrace a new year, we will continue to enhance the customer experience by leveraging our new and innovative Shaw Mobile wireless service to deepen our relationship with existing customers and welcome new ones. We will deliver better and faster services through new technology, expanded distribution, and additional digital capabilities. These developments are made possible through the continued investment in our critical infrastructure to stay ahead of customer expectations, including the deployment of 600 MHz spectrum and advancing our 5G capabilities in fiscal 2021.

While we still face elevated levels of uncertainty, including COVID-19 related impacts, commodity pricing related challenges, key regulatory decisions, and an intensifying competitive environment, we are uniquely positioned to drive better value for all our stakeholders. This includes additional transparency into our environmental, social, and governance (ESG) initiatives in our forthcoming ESG report and the critical role it plays in shaping our strategy. By more formally addressing the needs of all our stakeholders, we can thrive in this new environment. Our strong balance sheet enables us to continue making critical investments and our focus on 'brighter together' growth opportunities will drive further efficiencies and contribute to strong and sustainable free cash flow growth and capital return initiatives.

In closing, I would like to extend my gratitude to our Board of Directors, for their invaluable leadership and insight, as well as the entire Shaw team of approximately 9,500 employees for their unwavering dedication throughout this truly exceptional year.

[Signed]

Bradley S. Shaw
Executive Chair & Chief Executive Officer

Contents

Forward

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis (MD&A) should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. or, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group. This MD&A is current as at October 30, 2020 and was approved by Shaw's Board of Directors.

Caution Concerning Forward Looking Statements

Statements included in this MD&A that are not historic constitute "forward-looking information" within the meaning of applicable securities laws. They can generally be identified by words such as "anticipate," "believe," "expect," "plan," "intend," "target," "goal," and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements. Forward looking statements in this MD&A include, but are not limited to, statements relating to:

- future capital expenditures;
- proposed asset acquisitions and dispositions;
- expected cost efficiencies;
- financial guidance and expectations for future performance;
- business and technology strategies and measures to implement strategies;
- the Company's equity investments, joint ventures, and partnership arrangements;
- expected growth in subscribers and the products/services to which they subscribe;
- competitive strengths and pressures;
- expected project schedules, regulatory timelines, and completion/in-service dates for the Company's capital and other projects;
- expected number of retail outlets;
- the expected impact of new accounting standards, recently adopted or expected to be adopted in the future;
- the effectiveness of any changes to the design and performance of the Company's internal controls and procedures;
- the expected impact of changes in laws, regulations, decisions by regulators, or other actions by governments or regulators on the Company's business, operations, and/or financial performance or the markets in which the Company operates;
- the expected impact of any emergency measures implemented by governments or regulators;
- timing of new product and service launches;
- Private LTE network offerings, initiatives, and partnerships as well as the performance and capability of such Private LTE networks and their ability to meet the needs of Shaw's customers, including the future provision of 5G services;
- the deployment of: (i) network infrastructure to improve capacity and coverage, and (ii) new technologies, including next generation wireless and wireline technologies such as 5G and Internet protocol television, or IPTV, respectively;
- the expected growth in the Company's market share;
- the ability of Shaw Mobile to drive customer growth;
- the cost of acquiring and retaining subscribers and deployment of new services;
- the sustainability of results/objectives and cost reductions achieved through the Total Business Transformation (TBT) initiative and Voluntary Departure Program (VDP);
- the impact that the employee exits in connection with VDP will have on Shaw's business operations;
- the expansion and growth of Shaw's business and operations and other goals and plans; and
- the expected impact of the ongoing commodity price challenges and the COVID-19 pandemic.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as of the current date. The Company's management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information. Considering the ongoing presence of commodity price challenges and the uncertain and changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, provincial, and municipal), regulatory authorities, businesses, and customers, there continues to be inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions, many of which are confidential, include, but are not limited to management expectations with respect to:

- general economic conditions, which includes the impact on the economy and financial markets of (i) fluctuations in commodity prices, and (ii) the COVID-19 pandemic and other health risks;

- the impact of (i) fluctuations in commodity prices, and (ii) the COVID-19 pandemic and other health risks on the Company's business, operations, capital resources, and/or financial results;
- future interest rates;
- previous performance being indicative of future performance;
- future income tax rates;
- future foreign exchange rates;
- technology deployment;
- future expectations and demands of our customers;
- subscriber growth;
- incremental costs associated with growth in Wireless handset sales;
- pricing, usage, and churn rates;
- availability and cost of programming, content, equipment, and devices;
- the completion of proposed transactions;
- the integration of acquisitions;
- industry structure, conditions, and stability;
- regulation, legislation, or other actions by governments or regulators (and the impact or projected impact on the Company's business);
- the implementation of any emergency measures by governments or regulators (and the impact or projected impact on the Company's business, operations, and/or financial results);
- access to key suppliers and third party service providers and their goods and services required to execute on the Company's current and long term strategic initiatives on commercially reasonable terms;
- key suppliers performing their obligations within the expected timelines;
- retention of key employees;
- the Company being able to successfully deploy (i) network infrastructure required to improve capacity and coverage, and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- the TBT initiative yielding the expected results and benefits, including: (i) resulting in a leaner, more integrated and agile company with improved efficiencies and execution to better meet Shaw's consumers' needs and expectations (including the products and services offered to its customers), and (ii) sustainability of cost reductions achieved through VDP;
- the cost estimates for any outsourcing requirements and new roles in connection with VDP;
- operating expense and capital cost estimates associated with the implementation of enhanced health and safety measures for the Company's offices, retail stores, and employees to reduce the spread of COVID-19;
- the Company can gain access to sufficient retail distribution channels; and
- the Company can access the spectrum resources required to execute on its current and long-term strategic initiatives.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- changes in general economic, market, and business conditions including the impact of (i) fluctuations in commodity prices, and (ii) the COVID-19 pandemic and other health risks, on the economy and financial markets which may have a material adverse effect on the Company's business, operations, capital resources, and/or financial results;
- increased operating expenses and capital costs associated with the implementation of enhanced health and safety measures for the Company's offices, retail stores, and employees in response to the COVID-19 pandemic;
- changes in interest rates, income taxes, and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments, and other changing conditions in the entertainment, information, and communications industries;
- changes in laws, regulations, and decisions by regulators or other actions by governments or regulators that affect the Company or the markets in which it operates;
- any emergency measures implemented by governments or regulators;
- technology, privacy, cyber security, and reputational risks;
- disruptions to service, including due to network failure or disputes with key suppliers;

- the Company's ability to execute its strategic plans and complete its capital and other projects by the completion date;
- the Company's ability to grow subscribers and market share;
- the Company's ability to close key transactions;
- the Company's ability to have and/or obtain the spectrum resources required to execute on its current and long-term strategic initiatives;
- the Company's ability to gain sufficient access to retail distribution channels;
- the Company's ability to access key suppliers and third party service providers required to execute on its current and long term strategic initiatives on commercially reasonable terms;
- the ability of key suppliers to perform their obligations within expected timelines;
- the Company's ability to retain key employees;
- the Company's ability to achieve cost efficiencies;
- the Company's ability to sustain the results/objectives and cost reductions achieved through the TBT initiative and VDP;
- the Company's ability to complete the employee exits in connection with VDP with minimal impact on operations;
- the Company's ability to complete the deployment of (i) network infrastructure required to improve capacity and coverage, and (ii) new technologies, including but not limited to next generation wireless and wireline technologies such as 5G and IPTV, respectively;
- the Company's ability to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this MD&A under the heading "Known Events, Trends, Risks and Uncertainties."

The foregoing is not an exhaustive list of all possible factors. Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A.

The Company provides certain financial guidance for future performance as the Company believes that certain investors, analysts, and others utilize this and other forward-looking information in order to assess the Company's expected operational and financial performance and as an indicator of its ability to service debt and pay dividends to shareholders. The Company's financial guidance may not be appropriate for this or other purposes.

This MD&A provides certain future-oriented financial information or financial outlook (as such terms are defined in applicable securities laws), including the financial guidance and assumptions disclosed under "Fiscal 2021 Guidance." Shaw discloses this information because it believes that certain investors, analysts, and others utilize this and other forward-looking information to assess Shaw's expected operational and financial performance, and as an indicator of its ability to service debt and pay dividends to shareholders. The Company cautions that such financial information may not be appropriate for this or other purposes.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward-looking statements contained in this MD&A are expressly qualified by this statement.

ABOUT OUR BUSINESS

At Shaw, we focus on delivering sustainable long-term growth and connecting customers to the world through a best-in-class seamless connectivity experience by leveraging our world class converged network. This includes driving operational efficiencies and executing on our strategic priorities through the delivery of an exceptional customer experience and more agile operating model. Combined with significant facilities-based investments, our powerful and robust networks serve as the foundation for connectivity and innovation. With the onset of the global COVID-19 pandemic in 2020, connectivity rapidly became a critical lifeline for Canadians and our economy. During this unprecedented period, our network performance was exceptional, and we remain focused on supporting our employees, customers, and communities. While the COVID-19 pandemic does impact our business, Shaw continues to be resilient and we believe that we are well positioned to meet the rapidly changing and increasing demands of our customers.

WIRELINE

Shaw is one of the largest providers of residential communications services in Canada.

Our Consumer division connects people and families in British Columbia, Alberta, Saskatchewan, Manitoba, and northern Ontario through our Fibre+ network.

Shaw Direct is one of two licensed satellite video services available across Canada.

WIRELESS

Shaw is the fourth largest wireless provider in Canada, offering both postpaid and prepaid services.

Shaw Mobile currently operates in British Columbia and Alberta. Freedom Mobile currently operates in Ontario, British Columbia and Alberta.

Over 19 million Canadians reside within our current mobile wireless network service area.

BUSINESS

Our Business division leverages our network infrastructure with a product suite targetting businesses of all sizes.

In the following sections we provide selected financial highlights and additional details with respect to our strategy, our Wireline and Wireless divisions, our network and our presence in the communities in which we operate and serve.

Shaw trades on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

Select Financial and Operational Highlights

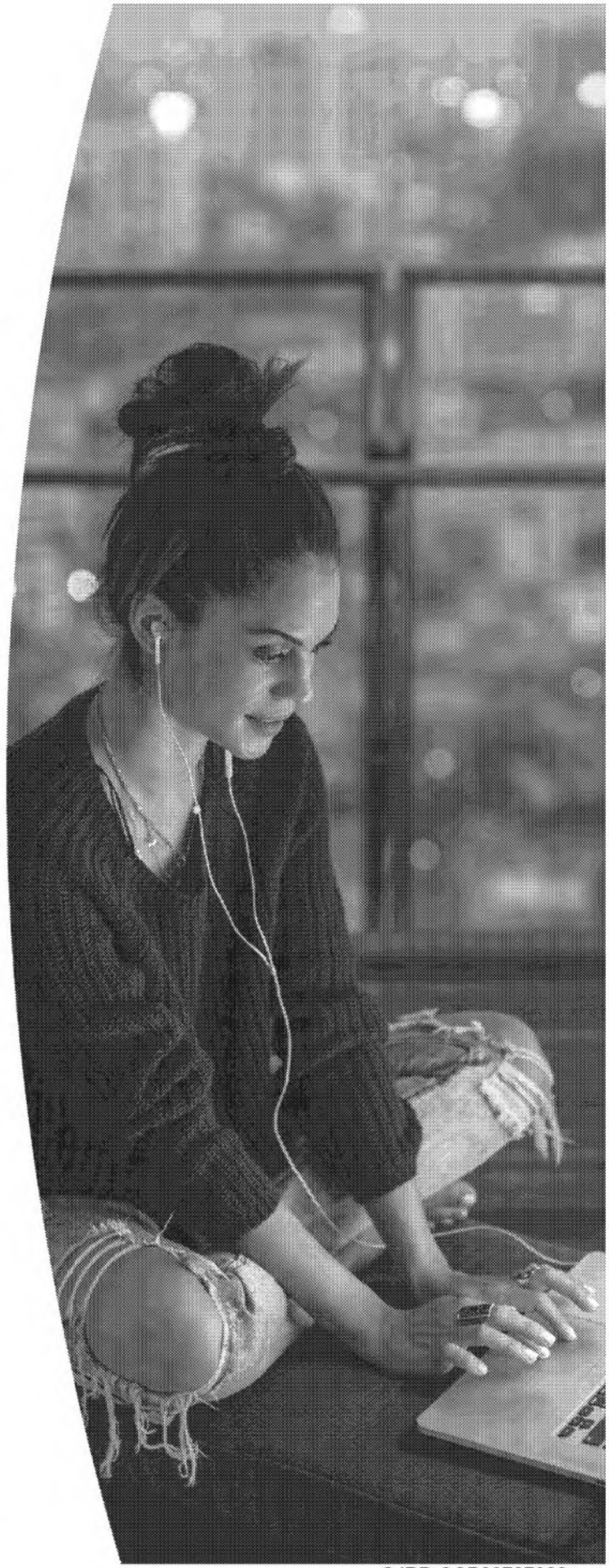
Through an evolving operating and competitive landscape our consolidated business delivered stable and profitable results in fiscal 2020.

Basis of presentation

Fiscal 2020 results are reported in accordance with the newly adopted IFRS 16, *Leases* ("IFRS 16"). Supplementary information is provided in "New Accounting Standards," reflecting the previous leases policy and the changes from the adoption of the new standard. The adoption of IFRS 16 had a significant effect on our reported results. We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented were not restated and continue to be reported under International Accounting Standard (IAS) 17 – *Leases*, as permitted by the specific transition provisions of IFRS 16. The cumulative effect of the initial adoption of IFRS 16 was reflected as an adjustment to the impacted balance sheet accounts as at September 1, 2019.

In conjunction with the adoption of IFRS 16, we also updated certain of our non-GAAP and additional GAAP measures including renaming the previously disclosed "Operating income before restructuring costs and amortization" measure as "adjusted EBITDA" to better align with language used by various stakeholders of the Company. We also amended our free cash flow definition to reflect the impact of IFRS 16 to account for lease payments that are no longer classified as operating expenses under the new standard. See the definitions and discussion under "Key Performance Drivers" for more details.

On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation within the Company's Business segment, to Omnitracs Canada. Accordingly, the operating results and operating cash flows for the previously reported Shaw Tracking business (an operating segment within the Business division) are presented as discontinued operations separate from the Company's continuing operations. This MD&A reflects the results of continuing operations, unless otherwise noted.



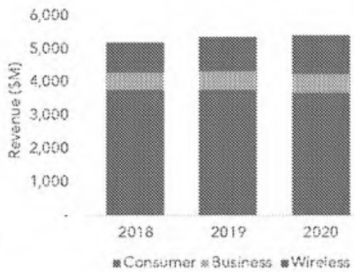
2020 Total Revenue

$5.4 BILLION

22% Wireless

68% Wireline - Consumer

10% Wireline - Business

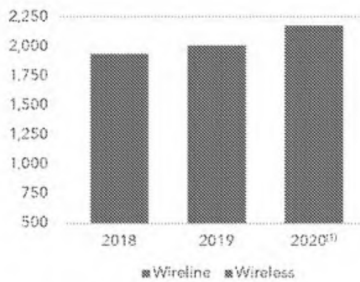


2020 Adjusted EBITDA

$2.4 BILLION

14% Wireless

86% Wireline



	Year ended August 31,			Change	
(millions of Canadian dollars except per share amounts)	**2020[1]**	**2019**	**2018**	**2020 %**	**2019 %**
Operations:					
Revenue	**5,407**	5,340	5,189	1.3	2.9
Adjusted EBITDA[2]	**2,391**	2,154	2,057	11.0	4.7
Adjusted EBITDA margin[2]	**44.2%**	40.3%	39.6%	9.7	1.8
Net income from continuing operations	**688**	733	39	(6.1)	>100.0
Income (loss) from discontinued operations, net of tax	**–**	–	(6)	–	(100)
Net income	**688**	733	33	(6.1)	>100.0
Per share data:					
Earnings per share					
Basic and diluted					
Continuing operations	**1.32**	1.41	0.06		
Discontinued operations	**–**	–	(0.01)		
	1.32	1.41	0.05		
Weighted average participating shares outstanding during period (millions)	**515**	511	502		
Funds flow from continuing operations[3]	**1,989**	1,777	1,177	11.9	51.0
Free cash flow[2]	**747**	538	385	38.8	39.7

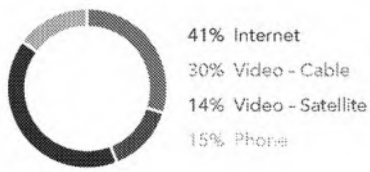
(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 and Fiscal 2018 figures do not and are not comparable. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2020 as well as discussions under "Results of Operations" and "Segmented Operations Review."

(2) Adjusted EBITDA, adjusted EBITDA margin, and free cash flow are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures, including how we calculate them.

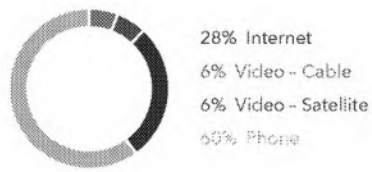
(3) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

Subscriber highlights:

Wireline – Consumer



Wireline – Business



Wireless

Subscriber highlights:	August 31, 2020	August 31, 2019	Change
Wireline – Consumer			
Video – Cable	**1,390,520**	1,478,371	(87,851)
Video – Satellite	**650,727**	703,223	(52,496)
Internet	**1,903,868**	1,911,703	(7,835)
Phone	**672,610**	767,745	(95,135)
Total Consumer	**4,617,725**	4,861,042	(243,317)
Wireline – Business			
Video – Cable	**37,512**	41,843	(4,331)
Video – Satellite	**36,002**	35,656	346
Internet	**178,270**	173,686	4,584
Phone	**387,660**	379,434	8,226
Total Business	**639,444**	630,619	8,825
Total Wireline	**5,257,169**	5,491,661	(234,492)
Wireless			
Postpaid	**1,482,175**	1,313,828	168,347
Prepaid	**339,339**	344,357	(5,018)
Total Wireless	**1,821,514**	1,658,185	163,329
Total Subscribers	**7,078,683**	7,149,846	(71,163)

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Our Strategy

At Shaw, we focus on delivering sustainable long-term growth by connecting customers to the world through a best-in-class seamless connectivity experience by leveraging our world class converged network. This includes driving operational efficiencies and executing on our strategic priorities through the delivery of an exceptional customer experience and a more agile operating model. Combined with significant facilities-based investments, our powerful and robust networks serve as the foundation for connectivity and innovation. With the onset of the global COVID-19 pandemic in 2020, connectivity rapidly became a critical lifeline for Canadians and our economy. During this unprecedented period, our network performance was exceptional, and we remain focused on supporting our employees, customers, and communities. While the pandemic has had an impact on our business, Shaw continues to be resilient and we believe that we are well positioned to meet the rapidly changing and increasing demands of our customers.

In a year like none other, fiscal 2020 included another exciting milestone for our Wireless business with the launch of Shaw Mobile in Alberta and British Columbia, complementing our existing Freedom Mobile brand. Shaw Mobile is a new wireless service that leverages our LTE and Fibre+ networks, along with Canada's largest WiFi network, to provide Shaw Internet customers with an innovative wireless experience that offers customers unprecedented savings. The introduction of Shaw Mobile will enable the Company to acquire new customers by leveraging bundling opportunities. Our new 'Brighter Together' advertising campaign highlights customers' ability to customize their mobile data allotment with two rate plans – By The Gig and Unlimited Data – and is the best example yet of how facilities-based providers can compete and innovate to deliver true wireless affordability.

Through continued thoughtful and strategic investments, spectrum deployment, and a growing number of distribution points, we continue to create a stronger, higher quality wireless network that enables us to deliver an improving customer experience that balances profitability and customer growth. Our Wireless operating footprint now covers over 19 million people, or approximately 50% of the Canadian population, in some of Canada's largest urban centres, as well as many smaller communities throughout British Columbia, Alberta, and Ontario.

During fiscal 2020, we delivered Wireless subscriber growth of over 160,000 (net additions), ABPU[1] improvement of 5.9% (to $44.13) and service revenue growth of approximately 17.4% (to over $815 million) in the year. Since the acquisition of Freedom Mobile in 2016, our Wireless subscriber base has grown by approximately 80% to over 1.8 million subscribers at the end of fiscal 2020, which is a true testament to our differentiated and sustainable value proposition to customers.

[1] Refer to "Key Performance Drivers" section for definition and explanation.

In our Wireline division, with approximately 5.3 million RGUs,[2] we continue to leverage our Fibre+ network by introducing new and improved services to our residential and business customers that align with our focus on profitable growth and stability. In fiscal 2020, and in the midst of the COVID-19 pandemic, we introduced our Fibre+ Gig Internet service, which represents the largest deployment of up to gigabit download speeds to residential Internet customers in western Canada.

In addition to rolling out the fastest speeds ever available to our customers, Shaw launched a new entry-level Internet plan as part of a new lineup of Internet tiers, providing customers a full range of choices depending on their connectivity needs.

In response to the changing business environment due to the COVID-19 pandemic, Shaw Business introduced Smart Remote Office, providing business owners peace-of-mind in knowing their company data is protected while giving their employees greater ability to seamlessly work from anywhere.

With the majority of Canadians relying more than ever on video and voice interactions to remain connected for social and business purposes, to access education, and enjoy entertainment, fiscal 2020 saw significant increases in traffic on our wireline network. Due to substantial facilities-based investments, our network performance continues to be exceptional even with the more recent pandemic-related surge in demand, which increased by as much as 50% and included peak period usage extending to over 12 hours a day, 7 days a week. In fact, Ookla named Shaw the fastest and most consistent internet provider in western Canada. Across British Columbia, Alberta, Manitoba, and Saskatchewan, Shaw's Fibre+ network was reported as the fastest. Furthermore, a growing number of customers elected to self-install their services with up to 79% of our customers choosing this option in the last quarter of fiscal 2020. We remain committed to building and transitioning into a new digital operating service model and improving the customer experience with a focus on continued reductions to our cost structure in the Wireline division.

In addition to strengthening the long-term strategic positioning of the Company over the last several years, we have maintained a solid balance sheet that along with a growing free cash flow profile support the significant, albeit moderating in intensity, level of investment required for long-term sustainable growth. We remain committed to the maintenance of our investment grade credit rating and focus on free cash flow growth. Despite the significant uncertainty arising from the COVID-19 pandemic and commodity price challenges, our business demonstrated its resilience thus allowing us to deliver pre-IFRS 16 adjusted EBITDA growth of 3.7%, fund our planned capital investments of over $1 billion, and achieve free cash flow growth of almost 40% in fiscal 2020. Moreover, during the same period, we returned approximately $750 million to our shareholders as part of our enhanced return of capital initiatives, consisting of regular monthly dividends and share repurchases under our normal course issuer bid (NCIB) program, the latter of which was introduced during fiscal 2020 and resulted in the repurchase for cancellation of approximately 5.6 million Class B Non-Voting Participating Shares ("Class B Non-Voting Shares") for a total cost of approximately $140 million and which we believe is synergistic with our now 100% cash-funded dividend program.

Fiscal 2021 Guidance

The Company is introducing its fiscal 2021 guidance, which includes adjusted EBITDA growth over fiscal 2020, consolidated capital investments of approximately $1.0 billion, and free cash flow of approximately $800 million. We believe our business and facilities-based networks provide critical and essential services to Canadians and will continue to remain resilient in this dynamic and uncertain environment. Management continues to actively monitor the impacts to the business and make the appropriate adjustments to operating and capital expenditures to reflect the evolving environment. Considering the ongoing presence of COVID-19, the speed at which it develops and/or changes, and the continued uncertainty of the magnitude, outcome, duration, resurgence, and/or subsequent waves of the pandemic, compounded by commodity price challenges, the current estimates of our operational and financial results which underlie our outlook for fiscal 2021 are subject to a significantly higher degree of uncertainty. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, as are our estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect our operations, financial results, and condition in future periods.

As at the end of fiscal 2020, our net debt leverage ratio[3] was 2.3x compared to the Company's target leverage range of 2.5 to 3.0x. Considering the current leverage position along with its strengthening free cash flow profile, Shaw is announcing that it intends to renew its NCIB program to purchase up to 24,532,404 Class B Non-Voting Shares,

[2] Refer to "Key Performance Drivers" section for definition and explanation.

[3] Net debt leverage ratio is a non-GAAP measure and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about this measure, including how we calculate it.

representing 5% of all of the issued and outstanding Class B Non-Voting Shares as of October 22, 2020. The NCIB program has been approved by the Board of Directors but remains subject to approval by the Toronto Stock Exchange (TSX) and, if accepted, will be conducted in accordance with the applicable rules and policies of the TSX and applicable Canadian securities law.

Impact of Coronavirus (COVID-19) Pandemic

During the second half of fiscal 2020, the Company experienced the following key impacts related to COVID-19:

- a reduction in overall Wireline and Wireless subscriber activity,
- reduced Wireless equipment sales and an improvement in Wireless postpaid churn,
- an increase of approximately 50% in wireline network usage as well as extended peak hours,
- increased demand for Wireless voice services by approximately 25%,
- a decrease in Wireless roaming and overage revenue,
- customer payments substantially in-line with historical trends,
- an increase in bad debt expense, and
- the suspension or cancellation of a number of Business customer accounts, impacting Business revenue.

In the second quarter of fiscal 2020, through the implementation of our detailed business continuity plan, we transitioned a significant portion of our employee base to work from home and temporarily closed retail locations across Canada (except for a limited number of street front stores providing urgent customer support). Throughout these challenging circumstances, the Company has continued to serve its customers, quickly adapting to the dynamic and evolving environment.

While the financial impacts from COVID-19 in fiscal 2020 were not material, the situation remains uncertain in terms of its magnitude, outcome, and duration. Consumer behaviors could still change materially, including the potential downward migration of services, acceleration of cord-cutting, and reduced ability of customers to pay their bills, all due to the challenging economic situation. Shaw Business primarily serves the small and medium sized market, which is particularly vulnerable to the economic impacts of commodity price challenges and COVID-19, including mandated business closures or further social distancing restrictions.

Despite the challenging and uncertain economic environment created by the ongoing impact of the COVID-19 pandemic, our business delivered solid results while demonstrating its resiliency and the critical nature of the connectivity services it provides. Our robust facilities-based network, the result of years of significant investment, has showcased its strength in addressing our customers' need to stay connected to family, friends, and colleagues throughout the COVID-19 pandemic.

As the COVID-19 pandemic continues to evolve, the Company's focus continues to be on the safety and health of its employees, the reliability of its facilities-based network, and the responsiveness to our customers. We continue to be in constant contact with public safety and government officials at all levels, as well as key suppliers, partners, and customers. The Company's business resumption plan, designed for the gradual and safe re-introduction of employees to the workplace, is being implemented in phases as government-imposed restrictions on businesses and individuals are lifted. As of the date of this MD&A, all of our retail stores have re-opened.

As an ongoing risk, the magnitude, outcome, duration, resurgence and/or subsequent waves of the COVID-19 pandemic is still unknown and subject to a significant amount of uncertainty at this time, as is the efficacy and duration of the government interventions. For further detail, see "Known Events, Trends, Risks and Uncertainties – Coronavirus (COVID-19)."

Total Business Transformation

In fiscal 2020, the Company completed VDP, which was a key component of the Company's multi-year TBT initiative, introduced in the second quarter of 2018. The TBT was designed to reinvent Shaw's operating model to better meet the evolving needs and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. As part of the TBT initiative, we reduced input costs, consolidated functions, and streamlined processes, which has led to operational improvements across the business, allowing us to evolve into a more efficient organization. We have become a more focused, agile, and accountable organization ready to evolve from being product-focused to more purposeful and fully integrated, focusing on satisfying the unique needs of our customers. With the completion of VDP, approximately 3,140 employees exited the Company between the second quarter of fiscal 2018 and the end of fiscal 2020.

For the twelve months ended August 31, 2020, no additional restructuring charges related to the Company's TBT initiative have been recorded, with a total of $437 million in restructuring charges recorded since the beginning of the program, of which $425 million has been paid to date. On March 5, 2020, the Company announced the substantial completion of the TBT initiative with fiscal 2020 annualized savings related to VDP substantially in-line with the previous estimates. See also "Caution Concerning Forward Looking Statements" and "Known Events, Trends, Risks and Uncertainties – Total Business Transformation" for a discussion of the TBT initiative, VDP, and the risks and assumptions associated with each.

People and Culture

As a leading Canadian connectivity company, we are transforming our culture and making purposeful investments in our people which enable us to deliver on our corporate and operational strategy. Building off a foundation of strong leadership and talent, our commitment to a diverse employee base ensures business decisions are made with our customers' needs at the forefront to create a seamless connectivity experience.

Our people and culture strategy is rooted in a people-first approach that empowers and develops our people to deliver break-through results and provides them with the tools they need to deliver on our strategic priorities through the delivery of exceptional employee and customer experiences in a more agile operating model. Through various inputs and interactions, as well as listening to our employees regularly, we are focused on the following four imperatives to achieve our people and culture objectives:

1) **Talent** – Elevating our people by giving them personalized development tools, skills, and the knowledge they need to succeed today and in the future. We proactively build skills while keeping an eye on emerging talent needs.

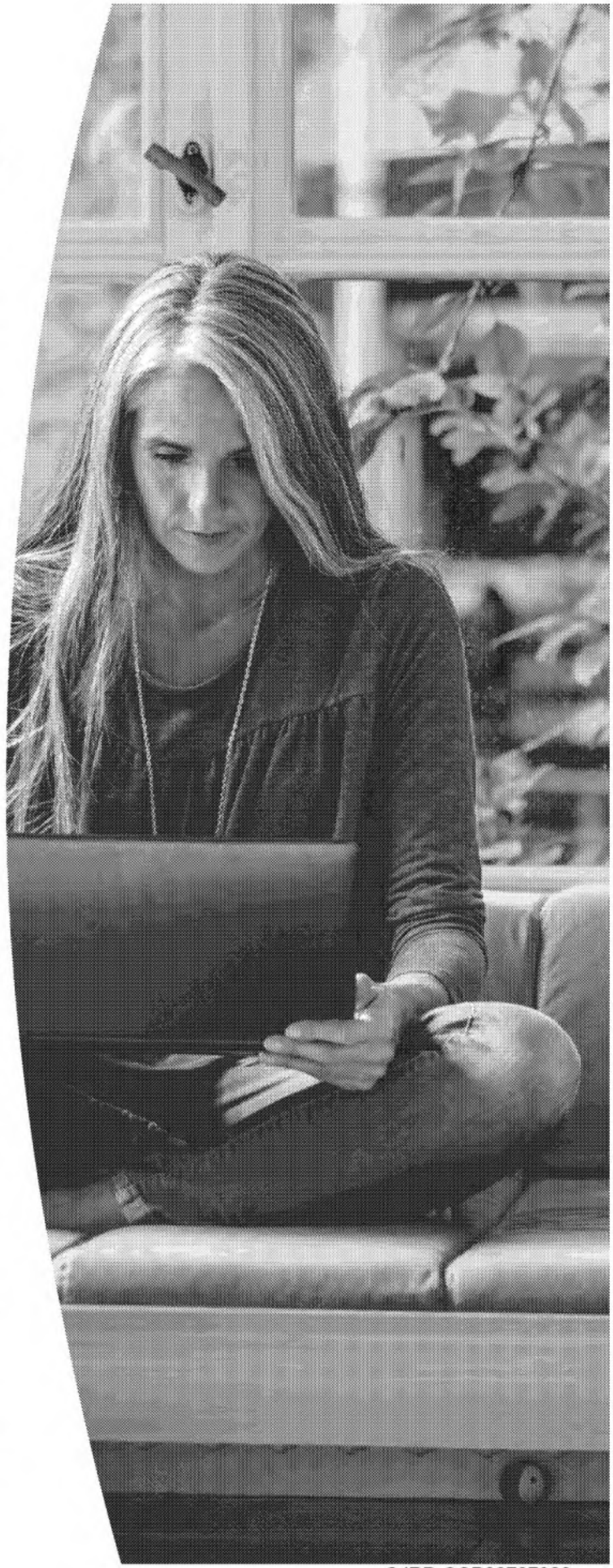
2) **Leadership** – Investing in our leaders by enhancing their capabilities to drive performance, support our culture, and inspire our people.

3) **Culture** – A key driver of our success and competitive advantage stems from our corporate culture and putting our people first to ensure we deliver on our strategic priorities through the delivery of exceptional employee and customer experiences.

   In support of our ongoing strategies to create a more diverse and inclusive culture, we continue to support our employee-led resource groups (i.e., Spectrum@Shaw, Pride@Shaw, and Women@Shaw). In fiscal 2020, we also launched an internal survey as part of our regular employee listening to gain a deeper understanding of how diverse and inclusive our people feel Shaw is and to help us grow and reflect their needs and the needs of our customers. This information not only helps inform our evolving priorities, but also reveals areas of opportunity to ensure we are reflective of our employee base and the communities we serve. We are proud recipients of Canada's Best Diversity Employers award for 2020.

   As well as paying attention to our internal needs, we are also focused on our external environment. Our unwavering commitment to sustainability and our environment ensures we are delivering value in the best ways that are also connected to our culture.

4) **Well-Being** – Foundational to the growth of our employees and their ability to deliver winning results has been a focus on holistic well-being. As an organization we are proud to play an expanded role in employees' financial, physical, and psychological well-being to ensure they have the resources they need to feel safe and supported – both during the COVID-19 pandemic and beyond. We are putting the health and safety of our people and customers first, ensuring all employees have the flexibility, support, tools, and resources (e.g., virtual healthcare, fitness, leadership development) to navigate how we work and lead during these uncertain and evolving times.



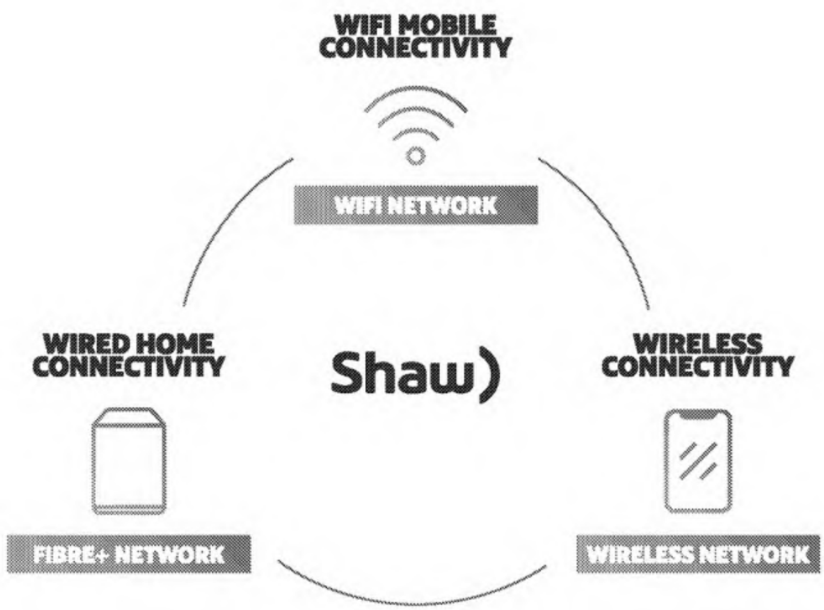
Global Technology Leaders

In order to efficiently secure and deliver leading technology for our customers – both for today and tomorrow – we recognize that we must participate in global scale initiatives through partnerships with best-in-class service providers. This ensures that the technology we adopt and invest in is, and continues to be, leading-edge in the global communications industry.

This approach allows us to leverage our existing assets, where we have strength and expertise, while also ensuring our investments are aligned with industry leaders to support the development, maintenance, and advancement of new technology where it is impractical for us to do so on a standalone basis. This allows us to direct our capital resources and further our commitment to continue the advances in innovation, performance, and reliability of our products and services. In addition, this strategic approach to our business gives us the opportunity to better manage costs by participating in opportunities on a global scale.

We have a series of significant and strong relationships with global leaders on the following initiatives:

- Shaw BlueCurve, a technology that provides customers with greater control over their home WiFi experience (through the BlueCurve Home app and Pods) and supports IPTV, is powered by the BlueCurve Gateway (XB6) Data over Cable Interface Specification (DOCSIS) version 3.1 advanced WiFi modem ("BlueCurve Gateway modem") developed by Comcast (see discussion under "Consumer Services")
- the deployment of our wireless LTE network, which was designed, planned, and deployed by NOKIA, a global leader in mobile wireless technology and solutions (see discussion under "Wireless")
- our "Smart" suite of business services that includes SmartWiFi, SmartTarget, SmartSecurity, SmartSurveillance, and Smart Remote Office, each in collaboration with Cisco Meraki, as well as SmartVoice in collaboration with Broadsoft (see discussion under "Business Services")



Wireless and Wireline Performance

Despite the challenging and uncertain economic environment created by the ongoing impact of the COVID-19 pandemic in the second half of fiscal 2020, our business delivered solid results while demonstrating its resiliency and the critical nature of the connectivity services it provides. Our robust facilities-based network, the result of years of significant investment, has showcased its strength in addressing our customers' need to stay connected to family, friends, and colleagues throughout the COVID-19 pandemic.

While the financial impacts from COVID-19 in the second half of fiscal 2020 were not material, the situation remains uncertain in terms of its magnitude, outcome, and duration. Consumer behaviors could still change materially, including the potential downward migration of services, acceleration of cord-cutting, and reduced ability of customers to pay their bills, all due to the challenging economic situation. Shaw Business primarily serves the small and medium sized market, which is also particularly vulnerable to the economic impacts of commodity price challenges and COVID-19, including mandated closures or further social distancing restrictions.

Throughout these challenging circumstances, the Company has continued to serve its customers, quickly adapting to the dynamic and evolving environment. In fiscal 2020, we completed our TBT initiative by improving the customer experience across both our Wireline and Wireless divisions while, at the same time, removing significant operating and capital costs from the business. Through our focus on execution, we are growing our Wireless customers, identifying sustainable cost savings in our core Wireline business, and making the appropriate investments to capitalize on future growth. Our launch of Shaw Mobile, a new wireless service in western Canada that leverages our LTE and Fibre+ networks, along with Canada's largest WiFi service, further complements our Freedom Mobile brand and deepens our existing relationships with our Wireline customers. We continue our transformation into an agile, lean and digital-first organization that is focused on providing a seamless connectivity experience that meets the needs of its customers now and into the future. As deployment of our 700 MHz spectrum is virtually complete in western Canada and approximately 70% complete nationwide, our focus turns to deploying our 600 MHz spectrum across our Wireless operating footprint, and continuing to improve our LTE experience, providing affordable options for our customers, and laying the foundation for 5G services.


WIRELESS

2020 Wireless Revenue

$1,166 MILLION

70% Service

30% Equipment and other

2019 Wireless Revenue

$1,047 MILLION

66% Service

34% Equipment and other

(millions of Canadian dollars)	2020 $	2020 Increase	2019 $	2019 Increase
Service	**815**	**17.4%**	694	23.0%
Equipment and other	**351**	**(0.6%)**	353	4.7%
Wireless revenue	**1,166**	**11.4%**	1,047	16.2%
Adjusted EBITDA (1)(2)	**337**	**69.3%**	199	40.1%

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2020 as well as discussions under "Results of Operations" and "Segmented Operations Review."

(2) Adjusted EBITDA is a non-GAAP measure and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about this measure, including how we calculate it.

Our Wireless division was formed following the acquisition of Freedom Mobile in March 2016. This acquisition transformed Shaw into a leading Canadian connectivity company, adding the critical wireless component to our converged network. Our Wireless division currently operates in Ontario, Alberta, and British Columbia, positioned as the leading alternative for mobile services to the three national wireless incumbent carriers.

Launch of Shaw Mobile

On July 30, 2020, the Company launched Shaw Mobile, a new wireless service in western Canada that leverages Shaw's LTE and Fibre+ networks, along with Canada's largest WiFi service, to provide Shaw Internet customers with an innovative wireless experience. Shaw Mobile provides Shaw Internet customers with bundling opportunities to take advantage of unprecedented savings, combined with the ability to customize their mobile data requirements through two rate plans – By The Gig and Unlimited Data.

Shaw Mobile is a powerful example of how facilities-based service providers can compete and innovate to deliver true wireless affordability for Canadians. With its Fibre+ network and Canada's largest WiFi network, Shaw Mobile capitalizes on the long-term trend that shows the vast majority of Canadians' smart device data usage occurs on WiFi networks, a fact amplified by recent work-from-home trends.

Freedom Mobile Big Gig Unlimited, Absolute Zero, and Prepaid Plans

In fiscal 2019, Freedom Mobile launched the Big Gig Unlimited and Absolute Zero campaigns in response to the competitive and dynamic wireless environment. Paired with the most popular devices, and ongoing improvements in the strength and capacity of our network, our Big Gig Unlimited and Absolute Zero plans continue to disrupt the wireless market by providing Canadians with a better, more affordable option when choosing a wireless service provider.

Freedom Mobile customers can either bring their own device to the network or participate in one of Freedom Mobile's discretionary wireless handset discount plans – MyTab or Absolute Zero. MyTab allows Freedom Mobile customers to pay a discounted price for a handset upfront and a predetermined monthly Tab charge in addition to the rate plan cost. Absolute Zero allows Freedom Mobile customers to receive an eligible handset for $0 upfront, $0 extra per month, and $0 owing after 24 months.

In the third quarter of fiscal 2020, Freedom Mobile introduced new prepaid-by-the-year plans to address a need in the current economic environment.

Wireless Distribution Network

In fiscal 2019, Freedom Mobile remodeled its most prominent corporate branded stores and finalized agreements with multiple new national retail partners.

In fiscal 2020, Freedom Mobile continued to modernize more than 20 Freedom-branded stores across the country with the key focus on maximizing customer experience and the safety of both our customers and employees. Freedom Mobile's full suite of products continue to be available in over 700 locations across Ontario, Alberta, and British Columbia through our corporate, dealer, and retail partners. In addition, we have added over 300 "countertop" and "grab & go" locations in independent retail outlets and store-within-a-store environments, catering specifically to the growing prepaid market.

During fiscal 2020, the Shaw Mobile-branded retail presence expanded by adding 12 locations to our corporate network for a total of 21 as August 31, 2020, with another 6 stores set to open in the first quarter of fiscal 2021. Combined with our national retail partners, Walmart and Loblaws, Shaw Mobile is now available at over 140 retail locations in Alberta and British Columbia.

Wireless Network Upgrades

Supporting our Wireless revenue growth are the significant investments in our wireless network and customer service capabilities. We are executing on our operating plan to improve our network and deploy spectrum in the most efficient way to enhance our LTE service and prepare for the delivery of 5G services. Wireless network investments to improve the customer experience continue to be a priority in the areas in which we operate and serve Wireless customers.

Through years of thoughtful and strategic capital investing, we continue to expand and improve our facilities-based wireless network to meet the evolving needs of our customers and continue to fuel Freedom Mobile's momentum. See "Shaw's Wireless Network" for further details on Shaw's wireless network upgrades.

5G Preparation

Shaw has been actively trialing 5G technology starting with pre-commercial trials in the 3.5 GHz and 28 GHz spectrum bands in 2018. In fiscal 2020, we continued conducting 5G trials in two key areas: (i) 600 MHz spectrum band and (ii) backhaul over DOCSIS and ethernet passive optical networks (EPON).

Unlike our previous 5G trials, the 600 MHz spectrum band trial was conducted using commercially available 5G network equipment and end-user devices. This trial, carried out in collaboration with NOKIA, successfully demonstrated 5G operation from the core network to the end-user device and paves the way for future 5G commercial deployments, which are expected to provide lower latency, improved device connectivity, and higher speeds compared to LTE.

In preparation for 5G, Shaw teams have also been strategically planning for future requirements throughout the wireless network, all the way from our core network to the radio sites. In fiscal 2019, the Company migrated its core network to the CloudBased Infrastructure Software platform, the latest generation of cloud core architecture from NOKIA and a key building block of 5G. In addition, 600 MHz radio and antenna designs were implemented by our radio access network teams at new and existing sites in preparation for 5G service. These planning initiatives led to our first 5G call in April 2020 and successful tests with commercially available handsets in June 2020.

In fiscal 2020, in collaboration with NOKIA, Shaw conducted field testing on 5G backhaul over DOCSIS and EPON. The test results successfully demonstrated that 5G backhaul traffic can be reliably transported over existing DOCSIS and EPON technologies, which offers the prospect of significantly reducing the time and cost to deploy our 5G networks.

As part of its converged network strategy, the Company continues to leverage the coaxial cable (which transports both power and multi-gigabit data speeds) in its Fibre+ network for the rapid and flexible deployment of small cells, which will support densification efforts in preparation for 5G.

Subscriber and ABPU Growth

As a result of the impact of the COVID-19 pandemic, in the second half of fiscal 2020, the Wireless division experienced a reduction in overall subscriber activity, a decrease in equipment sales, improved postpaid churn, a decrease in roaming and overage revenue, and an increase of approximately 25% in voice traffic on our network.

In fiscal 2020, our Wireless division delivered solid, high quality subscriber growth while continuing to improve operating margins and lower churn. Over 19 million Canadians, or approximately 50% of the Canadian population, reside within our current wireless network service area. Our Wireless division's customer base continues to grow, with over 1.8 million customers, including over 160,000 net new customers added in fiscal 2020. The growth of our subscriber base was complemented, on an annual basis, by an ABPU improvement of 5.9% (to $44.13) over fiscal 2019 due to the increased subscriber base and growing penetration of Big Gig and Absolute Zero plans.

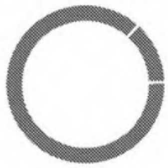
Since the acquisition of Freedom Mobile, we have made significant investments and improvements to scale the business. We have firmly established Freedom Mobile as the industry innovator and recognized champion of wireless affordability for Canadians. Through years of thoughtful and strategic capital investing, we are expanding and improving our facilities-based wireless network to meet the evolving needs of our customers. The introduction of Shaw Mobile, a new wireless service that leverages our LTE and Fibre+ networks, along with Canada's largest WiFi service, is the latest example of the innovation and affordability that our Wireless business brings to market. Through the flexible design of Shaw Mobile, we expect to further deepen our relationship with existing Wireline customers as we continue to scale our Wireless business.

Seasonality in Wireless Subscriber Activity

Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods, and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of wireless competitive activity as a result of back to school and holiday season-related consumer behaviour. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireless business does not depend on any single customer or concentration of customers.


WIRELINE

2020 Wireline Revenue

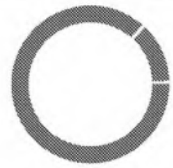


$4.3 BILLION

87% Consumer

13% Business

2019 Wireline Revenue



$4.3 BILLION

87% Consumer

13% Business

	2020		2019	
(millions of Canadian dollars)	**$**	**Increase / (Decrease)**	**$**	**Increase / (Decrease)**
Consumer	**3,683**	**(1.6%)**	3,743	(0.5%)
Business	**567**	**1.8%**	557	5.3%
Wireline revenue	**4,250**	**(1.2%)**	4,300	0.2%
Adjusted EBITDA (1)(2)	**2,054**	**5.1%**	1,955	2.1%

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. Refer to "New Accounting Standards" for additional details on the changes for fiscal 2020 as well as discussions under "Results of Operations" and "Segmented Operations Review."

(2) Adjusted EBITDA is a non-GAAP measure and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about this measure, including how we calculate it.

In our Wireline business, we have cemented our status as a technology leader with our Fibre+ network and BlueCurve and Smart suite products. Through our digital transformation, we have made it easier to interact with our customers and are leveraging insights from customer data to better understand their preferences so we can provide them with the services they want. We are shifting customer interactions to digital platforms and driving more self-help, self-install and self-service. In the fourth quarter of fiscal 2020, up to 79% of our customers were electing to self-install their services. We continue to streamline and simplify manual processes that improve the customer experience and day-to-day operations for our employees.

Despite the unprecedented impact that the COVID-19 pandemic had on the lives of our customers this past year, and the corresponding impacts to the way we serve our customers, our focus remains on the execution and delivery of stable and profitable Wireline results. This includes growth in higher quality Internet subscribers and improving overall customer account profitability by attracting and retaining higher value households with our best value proposition on 2-year ValuePlans for those who want faster Internet with a better customer experience in addition to Video and Wireless services. Through our introduction of Shaw Mobile, we expect to further deepen our relationship with existing Wireline customers with our bundled offering to Internet customers as we continue to scale our Wireless business.

Consumer Services

Shaw is one of the largest providers of residential communications services in Canada. Our Consumer division provides residential customers with leading connectivity experiences on two platforms:

- **Wireline Services** – we provide broadband Internet, Shaw Go WiFi, Video, and Phone services to customers that are connected to our local and regional Fibre+ network in British Columbia, Alberta, Saskatchewan, Manitoba, and northern Ontario
- **Satellite Services** – we provide satellite Video services through Shaw Direct to customers across Canada

Wireline Internet, Video, and Phone Services

As our customers' needs evolve, we continue to focus on innovative value-added service offerings. Our customer-centric strategy is designed to deliver quality service experiences, value, and choice for our customers.

Internet

As a leading Canadian connectivity company, we believe that the Internet plays a fundamental role in connecting our customers to the world and everything in it. We recognize the importance of providing reliable, affordable, and worry-free connectivity to meet the ever-increasing appetite of our customers for discovery, social connectivity, and streaming. With our continued commitment to making strategic

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investments in our powerful Shaw Fibre+ network, not only did we meet the unprecedented demands for Internet access from our customers in fiscal 2020, but we also introduced new services that align with our strategic focus on profitable growth and stability.

In fiscal 2020, we continued to deploy our BlueCurve Gateway modem, powered by Comcast, which enables faster Internet speeds, supports more devices, and provides a stronger in-home WiFi connection. For our customers with harder to reach areas in their homes, BlueCurve Pods create a mesh WiFi network to improve the overall customer experience. BlueCurve Pods can easily be self-installed through the BlueCurve Home app, plugged directly into indoor electrical outlets, and can be moved around to suit each customer's distinct coverage needs. Building on our network advantage and the success of our Internet offerings, in May 2020 we introduced a new portfolio of Internet plans with two new higher speeds: the 750 Mbps tier and our Shaw Fibre+ Gig tier, which offers up to gigabit download speeds to 99% of our residential customers located in our western Canadian Wireline operating footprint. Recently, we more than tripled upload speeds for our three highest speed tiers.

Leveraging our strategic partnership with Comcast, we continued to roll out an advanced series of technologies catered to serve an increasingly connected Canadian population. This includes feature enhancements to the BlueCurve Home app which provides our customers a simple way to control their Internet and WiFi experience, including on-boarding as a new customer, adding new devices to the network, managing device and user access, and monitoring usage. Enhancements to the BlueCurve Home app include a WiFi downtime scheduler, a new self-help section with links to chat for additional support, and integration with our BlueCurve TV experience by enabling WiFi password retrieval through the voice remote and display on-screen.

In May 2020, Shaw also introduced an enhanced Internet network security service that protects our customers' devices against cyber threats. This service brings together our new Advanced Network security feature (accessed through the BlueCurve Home app) designed to protect all devices in the home at the network layer, including game consoles, cameras, and any "smart" product, with McAfee Multi-Access Network Security, which provides an additional layer of end-point cyber protection for up to 10 of our customers' devices while at home and on the go.

In addition to our reliable Internet service enhanced by our BlueCurve experience, a key differentiator for our customers continues to be the access they receive to our carrier-grade Shaw Go WiFi network. With over 3.7 million devices authenticated on our network and over 117,000 public access points covering locations from British Columbia to Ontario, we continue to see growth in usage of our Shaw Go WiFi network for Shaw Internet and Freedom Mobile customers, and now Shaw Mobile customers. As an added value proposition, Wireless customers have access to over 350,000 additional "hotspots" by way of our home hotspot deployment.

In late July 2020, Shaw Mobile was launched in western Canada, bringing together Shaw's LTE and Fibre+ networks, along with Canada's largest WiFi service, to provide Shaw Internet customers with unprecedented savings on wireless plans when they bundle with Internet service. With the best of WiFi connectivity at home and the wide availability of Shaw Fibre+ powered WiFi hotspots, Shaw Mobile customers can reduce their monthly wireless data costs even further by connecting more often to WiFi.

In fiscal 2020, we continued the focus on our 2-year ValuePlans, which provide customers with price certainty over the term and have resulted in lower churn rates on those plans. This approach, combined with the strength of our Fibre+ network, our focus on improving execution, and providing additional bundle value when adding Shaw Mobile, is resulting in higher value household accounts with improved overall customer account profitability.

Video

Our Wireline Video services continue to offer a wide selection of standard definition (SD) and high definition (HD) television channels with access to one of western Canada's largest selection of on-demand titles, including access to both free and paid movies, television shows, and music content.

Our Video customers can choose pre-selected packages with the most popular channels or start with a basic primary package and then add additional channels from a variety of sports, family, and other theme specialty packages, as well as individual channels offered on a channel-by-channel basis.

Leveraging our strategic partnership with Comcast, we continued to deploy our flagship all-IP Video services, which is available across 80% of our western Canadian Wireline operating footprint. In November 2019, we added Amazon Prime to the list of apps integrated into the BlueCurve platform, joining Netflix, YouTube, and Crave. With the launch of BlueCurve Total TV in the same month – a new package that has pre-selected all of our most popular channels and content – customers will have the best of TV and over-the-top (OTT) streaming content in one place and accessible with a single voice command. We also simplified the ability to add channels to a customer's subscription through a "click to add" option directly on the screen.

Our customers also have access to the BlueCurve TV app, which is free for all Shaw Video (Cable and Shaw Direct) customers and makes their TV subscription available over the Internet and on mobile devices. This includes access to live TV, video-on-demand, up to 200 hours of a customer's personal video recordings (PVR) from the cloud, and the ability to download any recordings to take on the go.

Phone

Our Phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and Video services.

Broadcast Services

Shaw Broadcast Services utilizes our satellite network to manage one of North America's largest full-service commercial signal distribution networks. Shaw Broadcast Services currently provides distribution of English, French, third-language, Canadian, US, and International television and radio programming services to hundreds of multichannel operators.

As we continue to improve overall efficiency and provide a seamless connectivity experience to our customers, the Company announced that commencing in fiscal 2020, the Wholesale Wireline Network Services and Broadcast Services will be reported as part of the Consumer division (previously reported under the Shaw Business division).

Satellite Services

Shaw Direct connects families across Canada with Video and audio programming by satellite. Shaw Direct customers have access to over 370 digital video channels (including over 350 HD channels) and thousands of on-demand, pay-per-view (PPV) and subscription movie and television titles. In May 2020 we completed network upgrades which allow us to provide all available English and French services in HD – the first Canadian satellite provider to do so.

Our satellite customers receive choice with each of our current primary TV packages, which include a base set of channels and tiered customization options depending on the size of the TV package. Shaw Direct customers can further customize their TV packages by adding additional theme packs, premium packages, and individual channels.

Shaw Direct is one of two licensed satellite Video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite Video is generally stronger in rural areas. The service is marketed through Shaw Direct and a nation-wide distribution network of third party retailers.

We are committed to securing and delivering leading technology for our customers. Currently, we have access to three satellites that enable us to enhance our offerings with nearly all HD programming and improved service quality. One of our satellites, Anik F1R, is currently being decommissioned as it approaches the end of its life. Decommissioning activities will continue through August 2021 and the Company expects to replace Anik F1R satellite capacity through further service consolidation on Anik G1 as well as the introduction of new leased satellite capacity on Anik F3 in fiscal 2021.

A listing of our satellite capacity is provided below as at August 31, 2020.

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2 [1]	22 Ku-band	Leased[2]
Anik F1R [3]	6 Ku-band[2] 1 C-band	Leased Leased

(1) On September 15, 2017, the Company sold a group of assets comprising the operations of Shaw Tracking, a fleet tracking operation, to Omnitracs Canada. As part of the transaction, the leases to access the Anik F2 2 Ku-band (partial) and the Intelsat Galaxy 16 1 Ku-band (partial) were assigned to Omnitracs Canada.

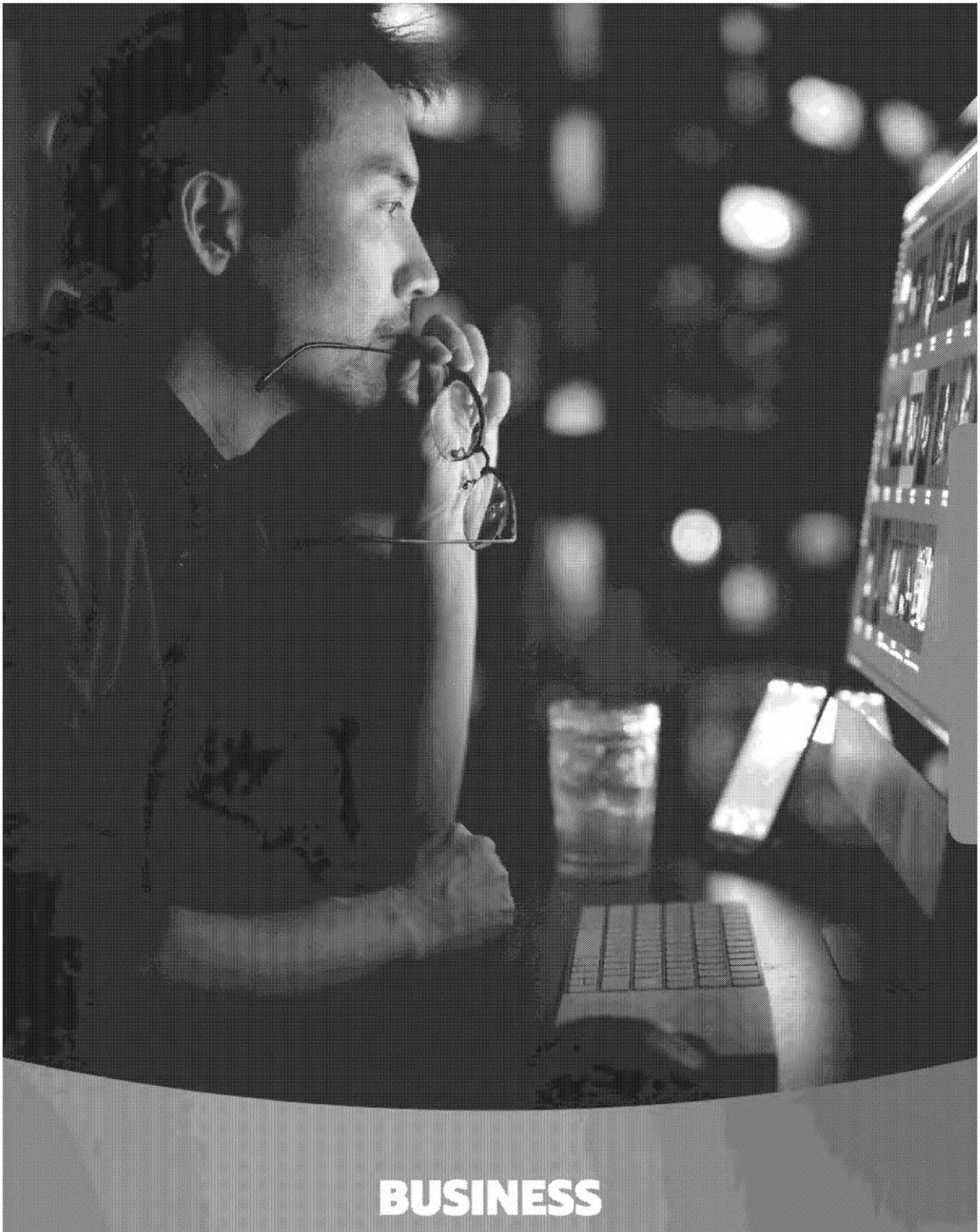
(2) Effective October 1, 2019, the Company transferred its interest in 16 Anik F2 transponders, which it previously owned, back to Telesat Canada ("Telesat"), adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements on 6 Anik F1R Ku-band transponders and 16 Anik F2 Ku-band transponders until the effective end-of-life date of such satellites.

(3) Anik F1R is undergoing decommissioning activities through August 2021 and the Company expects to replace Anik F1R's satellite capacity through further service consolidation and the introduction of new leased satellite capacity on Anik F3 in fiscal 2021.

Seasonality in Consumer Subscriber Activity

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Our Consumer Video business does not depend on any single customer or concentration of customers.

As a result of the impact of the COVID-19 pandemic, in the second half of fiscal 2020, the Consumer division experienced a reduction in overall subscriber activity and increase of approximately 50% in wireline network usage as well as extended peak hours.


BUSINESS

Business Services

Shaw Business provides connectivity solutions to business customers of all sizes, from home offices to medium and large-scale enterprises, by leveraging our business grade Fibre+ and fibre-to-the-premise (FTTP) networks.

The range of services offered by Shaw Business includes:

Fibre Internet

Our scalable, symmetrical fibre Internet solutions offer download speeds that range from up to 10 Mbps to more than 10 Gbps.

Business Internet

Shaw Business customers can choose from four packages with download speeds ranging from up to 75 Mbps to 1 Gbps. Each package comes with unlimited data usage as well as one dynamic and one static IP address.

In fiscal 2020, Shaw Business launched LTE Backup on January 20, 2020 – a simple, $25 per month, add-on service for Business Internet and SmartWiFi customers that auto-connects, via LTE networks, to the critical systems and applications that our customers want to keep online during an outage (and when the outage is over, everything switches back to the customer's primary Internet connection).

In the first quarter of fiscal 2021, we began increasing upload speeds for certain Business Internet packages. We also upgraded our 600 Mbps plan to 750 Mbps and introduced a new speed tier – up to 300 Mbps download by up to 125 Mbps upload.

Data Connectivity

Shaw Business provides secure private connectivity for business customers operating at multiple locations or connecting branch locations to a head office. Our enhanced data service, Ethernet over DOCSIS (EoD), offers symmetrical data speeds of up to 100 Mbps.

Voice Solutions

Shaw Business offers a range of voice solutions from traditional analog to digital Business Phone and robust, fully-managed voice systems with unified communications functionality.

In addition to competitive long-distance rates across the globe and month-to-month uncontracted rates, Shaw Business Phone customers have 2, 3, and 5-year contract options to provide cost consistency for their business.

Video

Shaw Business provides Video and audio services for public viewing. Similar to our Consumer Video service, Business cable and satellite customers can choose from a selection of primary channel packages and may add from a variety of sports, family, and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis.

In August 2019, Shaw Business launched a Video Casting solution for hospitality customers, providing their guests the ability to securely and seamlessly cast video content from their personal devices to a guest room television. This property management solution streamlines the guest authentication experience and enables hoteliers to monetize their WiFi solution.

In February 2020, Shaw Business launched new Video packaging that provides enhanced choice and flexibility for its hospitality customers, giving guests an improved Video experience during their stay.

Broadcast Video

Shaw Business delivers high-quality Video to service providers across North America in real time.

Collaboration Tools

To build out a more robust collaboration offering, on June 25, 2020 Shaw Business launched Microsoft 365 – our first software as a service product – to small and medium sized businesses. The solution includes Microsoft 365 Business Basic and Business Standard products intended to help Shaw business customers boost productivity and collaborate seamlessly.

Smart Suite Services

Shaw Business has positioned itself as a trusted business advisor by taking care of all aspects of its customers' increasingly complex always-on connectivity requirements so they can focus on growing their businesses. As part of this strategy, Shaw collaborates with global scale technology leaders to offer its "Smart" suite of easy-to-use and flexible managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions that are increasingly valued by businesses of all sizes as the digital economy grows in scope and complexity.

The Smart suite of services includes:

SmartVoice

SmartVoice is a unified communications solution that integrates instant messaging, presence, email, video conferencing, and a mobile application that is built on Broadsoft's BroadWorks platform. From comprehensive traditional phone features such as auto-attendant, hunt groups, and call recording to collaboration tools such as instant messenger and screen sharing, SmartVoice gives businesses the flexibility to work in a modern way.

SmartVoice offers three different levels of packaging based on business needs and is available on 2, 3, or 5-year contract terms.

SmartWiFi

SmartWiFi is a fully-managed Internet solution deployed over Cisco Meraki's platform that enables seamless and secure wireless connectivity for employees, customers, and guests in the office. SmartWiFi also enables access to a cloud portal where customers can easily manage their service, configure their set service identifiers (SSIDs) to gain insight from network analytics, and create a custom dashboard.

Available at download speeds of up to 75 Mbps, 300 Mbps, 750 Mbps, and 1 Gbps, and including wireless access points, SmartWiFi provides our Shaw Business customers with exceptional WiFi coverage on 1, 2, 3, or 5-year contract terms.

In the first quarter of fiscal 2021, we began increasing upload speeds for certain SmartWiFi packages. We also upgraded our 600 Mbps plan to up to 750 Mbps, and introduced a new speed tier – up to 300 Mbps download by up to 125 Mbps upload.

Smart Remote Office

Launched on August 11, 2020 as a timely response to the COVID-19 pandemic that forced many Canadians to work from home, this new product allows business customers' employees to securely connect to the head office from anywhere. Smart Remote Office is a plug-and-play, no-touch provisioning solution that provides security and virtual private network (VPN) tunneling for employees working remotely.

SmartSecurity

SmartSecurity is a fully-managed network security platform deployed over Cisco Meraki's platform that protects a wired and WiFi network at the edge with access control, virus protection, the ability to control which applications run on the network, content filtering, and the connection of branch locations. A SmartSecurity premium package also includes the ability to set-up a secure VPN.

Shaw Business also offers LTE Backup, an add-on service for SmartSecurity which provides redundancy through a secondary Internet connection that ensures seamless and automatic failover in case of an outage.

SmartSecurity is available when bundled with SmartWiFi or Business Internet on 3 or 5-year contract terms.

SmartSurveillance

SmartSurveillance is a fully-managed, enterprise-grade security camera solution deployed over Cisco Meraki's platform. Managed through a cloud-portal, SmartSurveillance enables business owners to view footage and manage their cameras from anywhere using an intuitive on-line dashboard.

Sophisticated features, such as motion-based search and heat mapping, allow owners to quickly find footage of interest and identify activity patterns. SmartSurveillance can be bundled with SmartWiFi or Business Internet 75 and above on a 3 or 5-year contract term.

SmartTarget

On September 21, 2020, Shaw Business launched SmartTarget, an all-in-one marketing and advanced insights solution that leverages the power of SmartWiFi and a new technology to give business owners a better understanding of their customers' wants and needs to help increase traffic at their physical locations, boost revenue, and build relationships with their customers.

With SmartTarget available as an add-on service to Shaw's SmartWiFi, business owners can get customer demographic insights when visitors join the business owner's guest WiFi network. Once their visitors/customers have opted-in, business owners can use the SmartTarget solution to create targeted emails, surveys, and coupons to help increase customer loyalty, build relationships, and boost store revenues.

Software Defined Wide Area Network (SD-WAN)

SD-WAN provides businesses with a better way to connect multiple offices in a scalable and cost-effective manner on a cloud-managed platform. With integrated security, multiple Internet links, seamless LTE failover, and intelligent path control, SD-WAN enables companies to deploy a resilient, cost-effective, and high-bandwidth connectivity solution.

Powered in partnership with Cisco Meraki, SD-WAN sites are connected by Internet links secured by our SmartSecurity service which provides network protection and cloud-based security policy updates to protect businesses from the latest vulnerabilities and network threats.

Session Initiation Protocol (SIP) Trunking

Our next-generation SIP Trunking solution, on the Broadsoft platform, delivers a centralized voice solution managed in an easy-to-use cloud portal. SIP allows customers to pay only for what they need with the ability to scale the system quickly as their businesses grow.

The integration with Broadsoft's platform provides businesses with access to unified communications features such as video conferencing, call queuing, and auto-attendant as well as the ability to join offices with SmartVoice and SIP into the same environment to reduce costs and increase efficiency.

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers (ISPs), other communications companies, broadcasters, governments, and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high speed connections to major North American, European, and Asian networks and other tier-one backbone carriers. All service solutions are sold on 1, 3, or 5-year contract terms and pricing is negotiated based on the specific solution provided to the customer.

Business Subscriber Activity

Beginning in the second half of fiscal 2020, the COVID-19 pandemic, as well as the commodity price challenges in western Canada, impacted the Business division by causing the suspension or cancellation of a number of Business customer accounts and slowing revenue growth.

Prior to the pandemic, the Business division was on track to deliver another solid year of revenue growth. Despite the difficult market circumstances and the fact that 70% of Business revenue comes from the highly impacted small to medium sized business sector, Shaw Business still managed to achieve year-over-year revenue growth of approximately 2%.

In order to continue to meet the evolving needs of our customers, we are executing our plan to ensure that our Fibre+ wireline network keeps pace with our customers' expectations for bandwidth, speed, and reliability. See "Shaw's Wireline Network" for a description of our wireline network and the advances that we are undertaking.

Our World-Class Converged Network

The severity and duration of impacts related to the COVID-19 pandemic remain uncertain and management continues to focus on the safety of our people (most of whom continue to work from home), connectivity of our customer base, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. Throughout this challenging and unprecedented time, we are proud of the strength of our facilities-based networks, which are not just the core of our digital infrastructure – they are the backbone of our social and economic wellbeing. We have invested billions on building and improving our network and services and the benefits of these investments have never been more critical for Canadians during this crisis.

Shaw's Wireline Network

At Shaw, we are proud of our advanced Fibre+ network, which combines the power of fibre, coax, and WiFi and consists of our:

- North American fibre backbone;
- regional fibre optic and co-axial distribution networks; and
- local Shaw Go WiFi connectivity.

This fiscal year, Shaw's Fibre+ network demonstrated its strength with the launch of our Fibre+ Gig speed tier to over 99% of our western Canadian Wireline operating footprint, while expanding the availability of our 1 Gbps download/125 Mbps upload speed tier (currently the fastest broadly available upload speed tier of any North American cable operator) to all businesses in our major markets. Both of these upgrades were enabled by the deployment of DOCSIS 3.1 and Shaw's industry leading Mid-Split program, which significantly expands usable spectrum on the coaxial "last-mile" of Shaw's Fibre+ network.

The challenges and disruptions associated with the COVID-19 pandemic caused an increase of approximately 50% in wireline network usage as well as extended peak hours. Despite the unprecedented increase in network demands, Shaw was able to maintain our virtually congestion free Internet experience, regardless of the time of day. The investments in our network infrastructure, and our Mid-Split upgrade in particular, allowed Shaw to quickly and seamlessly activate additional capacity. The design and highly resilient nature of Shaw's metro and backbone networks also ensured our services remained stable during this time. Ultimately, the COVID-19 pandemic has highlighted the importance and critical nature of advanced facilities-based broadband networks and demonstrated the strength of Shaw's network infrastructure and our technology roadmap. The strength and performance of our Fibre+ network was further recognized when Ookla named Shaw the fastest and most consistent Internet provider in western Canada. Across British Columbia, Alberta, Manitoba, and Saskatchewan, Shaw's Fibre+ network was reported as the fastest.

Wireline Backbone

The backbone of Shaw's wireline network includes terabits of capacity over multiple fibres on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Regina, Winnipeg, Toronto, Chicago, and Buffalo). The northern route consists of approximately 5,000 route kilometres of fibre between Prince George and Montreal (via Edmonton, Saskatoon, Winnipeg, Thunder Bay, Toronto, and Ottawa). Current fibre construction to extend our northern route from Prince George to North Vancouver is underway in collaboration with the federal government's Connect to Innovate and Connecting British Columbia programs. A third secured capacity backbone route for advanced redundancy is located from Vancouver to Edmonton to Calgary and Calgary to Toronto through Dallas and New York. These routes, along with a number of other secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including (i) Vancouver and Calgary, (ii) Seattle and San Jose, (iii) Seattle and Calgary, (iv) Seattle and Vancouver, (v) Toronto and New York City, (vi) Toronto and Montreal, (vii) Edmonton and Fort McMurray, and (viii) Denver and Calgary.

During fiscal 2020, Shaw rapidly increased the capacity on numerous backbone links to stay ahead of COVID-19 related growth in traffic.

Regional Distribution Network

We connect our backbone network to residential and business customers through our extensive regional fibre optic and Fibre+ distribution networks.

Over the past decade, Shaw has driven fibre optic cable into every neighborhood we serve. Today, our customers' Internet traffic runs over a route comprising over 99.9% fibre optic cable. In the last few hundred metres between our fibre nodes in customers' neighborhoods and the home or business we serve, we leverage our highly robust and future proof coaxial cable to deliver our fastest speeds to over 99% of our residential customers located in our western Canadian Wireline operating footprint. This fiscal year, we officially rebranded our broadband tiers to "Fibre+" to reflect the true nature of our network and to better articulate the strength of our access network technology and strategy.

In fiscal 2020, we continued to leverage our DOCSIS 3.1 technology and advanced BlueCurve Gateway modem to launch our Fibre+ Gig speed tier to over 99% of homes across our western Canadian Wireline operating footprint. To expand the capacity of our Fibre+ network we are continually increasing the spectrum usable on our cable plant, which enables increased upstream and downstream capacities. In fiscal 2020, we completed our industry leading Mid-Split program in our major markets. This upgrade has allowed us to significantly increase the upstream and downstream capacity available on our Fibre+ distribution network. Shaw was also able to quickly leverage this capacity during the COVID-19 pandemic to not only prevent network congestion, but to also launch our new Fibre+ Gig speed tier to virtually every home we serve. We expect that efficient spectrum expansion upgrades, such as our Mid-Split program and other future technologies, will continue to allow cable technology to achieve fibre equivalent performance.

Shaw continues to optimize the capacity and efficiency of our wireline network and has virtually eliminated network congestion by deploying fibre optic cable deeper into our access networks and closer to where our customers reside. We continue to increase the number of optical serving areas or "nodes" in the wireline network. This is a continuous process that we apply year-over-year to increase fibre optic usage in our wireline network. Driving fibre deeper into our network also supports wireless and business service deployments, as well as future services such as 5G, FTTP, or the newly released DOCSIS 4.0 specification, which are all potential building blocks for multi-gigabit symmetrical services over our existing infrastructure.

Additionally, Shaw continues to leverage our converged network to enable the rapid and flexible deployment of small cells in support of our wireless network and preparations for 5G, due to the ability of our Fibre+ network to transport both power and multi-gigabit data speeds on one cable.

Shaw Go WiFi

Shaw has created Canada's most extensive WiFi network, Shaw Go WiFi. Shaw Go WiFi broadens a Shaw Internet customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience. Over 3.7 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are over 117,000 public access points used by our customers in coffee shops, restaurants, gyms, malls, public transit, and other public spaces covering locations from British Columbia to Ontario. In addition to these public access points, Wireless customers can seamlessly access more than 350,000 home hotspots across western Canada, making it easier to stream and download at a friend's or relative's home.

We have made several investments to further enhance the Shaw Go WiFi services. In fiscal 2020, we began offering download speeds of up to 100 Mbps, tuned the network to provide customers better performance at the edge of the coverage range, and simplified the login process.

Shaw's Wireless Network

Supporting our Wireless revenue growth are the significant investments in our wireless network and customer service capabilities. We are executing on our operating plan to improve our network and deploy spectrum in an efficient manner. Wireless network investments to improve the customer experience continue to be a priority in the areas in which we operate and serve customers.

Shaw partnered with NOKIA to roll-out our next generation LTE wireless network in our existing markets in Ontario, Alberta, and British Columbia. In fiscal 2020, we continued to deploy our Extended Range LTE network, which leverages our 700 MHz wireless spectrum, to provide customers with improved in-building coverage as well as extending coverage. At the end of fiscal 2020, the deployment of our 700 MHz spectrum was virtually complete in western Canada and approximately 70% complete nationwide, with the remaining deployment expected to continue throughout fiscal 2021. In fiscal 2020, Shaw started to deploy its 600 MHz spectrum, which is expected to continue throughout fiscal 2021.

In fiscal 2020, the Company continued to deploy small cell technologies (low powered wireless antennas and receivers with a range of 100m – 200m) designed to enhance coverage and performance in dense urban locations. As high-power towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality speed, capacity, and coverage improvements in these high traffic areas. The deployment of small cell technology was further enhanced by the activation of additional macrosites and the recent upgrades to our Fibre+ network that provide the ability to power and backhaul network traffic. With the completion of the Mid-Split program in major markets in fiscal 2020, the additional capacity created can be leveraged to improve our wireless network, highlighting the synergies of Shaw's converged network strategy in building out its wireline and wireless networks.

Through years of thoughtful and strategic capital investing, we continue to expand and improve our facilities-based wireless network to meet the evolving needs of our customers and continue to fuel our wireless momentum. In fiscal 2020, our operational support systems were enhanced to streamline activation capabilities and provide proactive monitoring and assurance capabilities to assist our operational teams with awareness of potential service issues.

Shaw Mobile

On July 30, 2020, Shaw launched Shaw Mobile, a new wireless service in western Canada that leverages our LTE and Fibre+ networks, along with Canada's largest WiFi network, to provide Shaw Internet customers with an innovative wireless experience that can help reduce their monthly wireless data bill. To support the Shaw Mobile launch, all supporting network features were activated, new models of wireless handsets were certified, and new support services were activated. Our back-office systems were modernized to provide our frontline teams with a modern and intuitive interface to help streamline our internal processes. These upgraded systems also enable the Company to rely on cloud first technologies rather than traditional proprietary systems, which provide for enhanced and improved scaling, resiliency, and agility as we continue to grow Shaw Mobile's business.

Private LTE

Shaw is a leader in developing and delivering Private LTE technology solutions for Canada's mining and energy industries. Private LTE is a complete, standalone cellular network that is used exclusively by the end customer for their business operations. In fiscal 2020, Shaw, in collaboration with Teck Resources Limited ("Teck") and NOKIA, deployed Canada's first Private LTE network using commercial mobile spectrum at Teck's Elkview steelmaking coal mine located in the Elk Valley region of British Columbia. The wireless network deployment at Elkview will generate significant operational value for Teck, providing significantly greater coverage and connectivity. This network will carry many of Teck's current mission critical applications and is built to also enable future Internet-of-things (IoT) and 5G requirements.

Shaw continues to work with other industry partners to develop and deploy Private LTE networks.

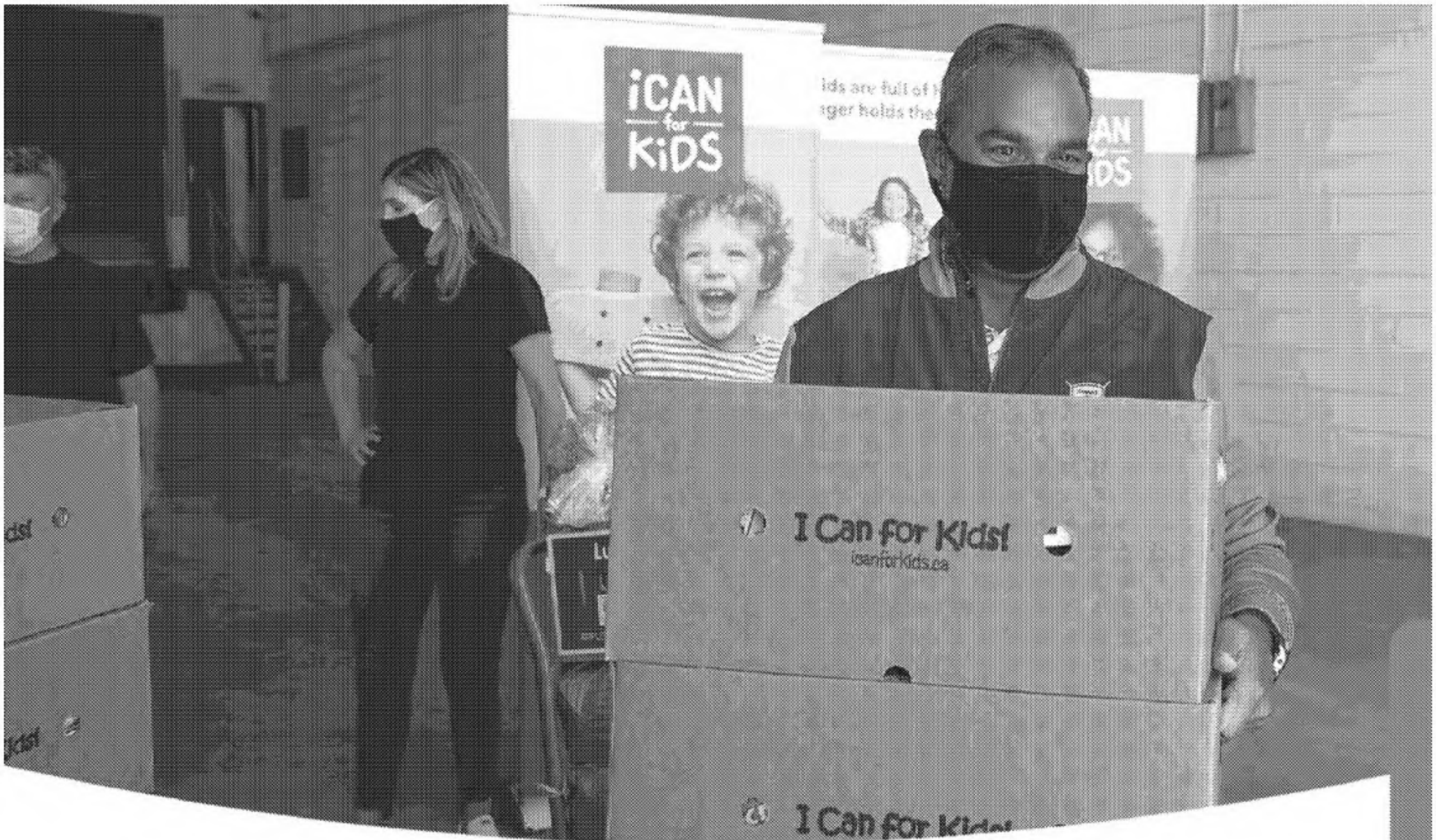
Spectrum holdings

In April 2019, the Company successfully acquired 11 paired blocks of 20-year 600 MHz spectrum across its Wireless operating footprint, for a total purchase price of $492 million, or $0.78 per MHz-Pop. The spectrum licences secured through the 600 MHz spectrum auction include 30 MHz across each of British Columbia, Alberta, and southern Ontario as well as 20 MHz in eastern Ontario. This spectrum, and the incremental network investment to deploy the spectrum, is expected to materially improve our long-term Wireless customer experience and further enable our ability to offer converged network solutions.

In addition to the 600 MHz spectrum acquired in April 2019, our Wireless division currently holds 50 MHz of AWS spectrum, 10 MHz of 700 MHz spectrum and 20-40 MHz of 2500 MHz spectrum in the main service areas of southern Ontario, Alberta, and British Columbia. We also hold 20-60 MHz of AWS spectrum, 0-10 MHz of 700 MHz spectrum, and 0-30 MHz of 2500 MHz spectrum in other markets within southern Ontario, eastern Ontario, Alberta, and British Columbia.

As discussed below, Innovation, Science and Economic Development Canada's (ISED) 3500 MHz spectrum auction is scheduled for June 2021 with up to 200 MHz of spectrum available and a set aside of 50 MHz in most Tier 4 service areas. ISED has also undertaken a consultation regarding the policy framework for the 3800 MHz spectrum band that proposes to reallocate a sizeable portion of the C-band (3700-4200 MHz) for flexible use (i.e., fixed and mobile) services. For further detail see "Government Regulations and Regulatory Developments – Radiocommunication Act – Wireless Spectrum Licences."

The Company expects that its spectrum assets will continue to support anticipated growth in Wireless subscribers, as well as geographic expansion and scale opportunities in the provinces in which we operate.



Community Investment

Shaw's community investment activities continue to build brand awareness and affinity, deepen employee engagement, drive revenue, and advance government and investor relationships while having demonstrable impacts in our communities.

In fiscal 2020, Shaw's Community Investments were valued at over $40 million, supporting over 750 community organizations and 850,000 low income and vulnerable youth across the country. In the past year, our employees came together and contributed over $1.25 million and thousands of volunteer hours to hundreds of charities across the country through our employee giving programs.

Notably, the COVID-19 pandemic changed our world in profound and challenging ways, with major implications for how we gather, work, learn, travel, and connect. For the most vulnerable in our society, the pandemic had an immediate and profound impact.

In the early stages of the crisis, we took decisive action to launch the #ShawHelps initiative to help Canadians feel connected, safe, and engaged as they navigated through the unpredictable challenges brought on by the pandemic. These steps included:

- helping address the dramatic increase in food insecurity and social isolation with a $1 million donation to Community Food Centres Canada;
- opened Shaw Go WiFi across western Canada, giving access to the country's largest network of WiFi hotspots;
- provided two months of free Internet service to low-income families who are part of the Government of Canada's "Connecting Families" program;
- provided all Shaw Cable and Shaw Direct customers access to several TV channels at no additional cost;
- provided Freedom Mobile customers with a rate plan of 3GB of data or less with an extra 2GB of data for free;
- confirmed no data caps on our Internet plans and not limiting our customers' Internet data use;
- collaborated with core partners to create a K-12 virtual education platform available for all Canadians to assist families as their kids schooling moved remotely;
- provided devices and connectivity to support hundreds of students, families, seniors, marginalized Indigenous groups, and victims of domestic violence to help ensure they could continue to learn, stay connected, and access critical social services and support; and
- supported over 75 grassroots organizations in over 50 communities with relief and recovery grants.

Our signature sponsorship, the Shaw Charity Classic, has raised over $50 million for more than 200 charities supporting Alberta youth since 2013. While pandemic-related restrictions forced the event's cancellation in 2020, we recognized it had critical importance to the fundraising activities of local charities and were pleased to donate $1.15 million in fiscal 2020 to support the kids' charities that benefitted from the event.

In fiscal 2021, we will continue to evolve our community investment approach to better meet the needs of our stakeholders through continued cross-functional execution, operational integration, and modernization. By sharpening the focus of our large and grassroots charitable donations and doing more to integrate philanthropic activities with our marketing tactics, Shaw's community investments can continue to help elevate the Company's profile as a community leader committed to enabling a better future for Canadians.

Climate Change and Environmental Responsibility

Shaw is committed to delivering a seamless connectivity experience to Canadians in an environmentally responsible and sustainable manner. A key focus area for the Company involves efficiency and innovation, which includes:

- **Reducing Consumption** – we support efforts to reduce employee, customer, and enterprise consumption of:
  - a) Energy – through the use of energy efficient technologies,
  - b) Water – by reducing water consumption in Shaw owned buildings, and
  - c) Paper – by continuing to promote e-bill and efficient printing behaviours amongst employees and customers to reduce paper use by shifting interactions to digital platforms as part of the Company's digital transformation.
- **Waste Reduction** – to reduce employee, customer, and enterprise waste we have implemented waste diversion and e-waste recycling programs and reduced single-use items in our marketing campaigns and packaging.
- **Reducing Carbon Emissions** – to reduce Shaw's carbon footprint through reduction (e.g., LED lighting, high-efficiency boilers, e-billing, reduced truck rolls due to increased consumer self-install of customer premises equipment (CPE)) and market-based instruments (e.g., renewable energy, offsets);
- **Engagement and Awareness** – to continuously drive employee, customer, and enterprise awareness of Shaw's environmental initiatives. Engaging employees in our journey – through the establishment of green teams, earth week, and waste reduction initiatives – to advance our goals of educating and sharing common beliefs and values around environmental sustainability.

The Company participated in the Society of Cable Telecommunications Engineers' (SCTE) Energy 2020 program, which set goals for reducing power consumption, energy costs, and grid dependency. Shaw contributed to these goals through initiatives such as optimizing network equipment sizing and controls, renegotiating power costs, and participating in demand response programs.

Shaw is also a signatory of the Canadian Energy Efficiency Voluntary Agreement (CEEVA) with respect to Set-Top Boxes (STBs) and Small Network Equipment (SNE). CEEVA aims to significantly reduce the total annual energy consumption used by STBs and SNEs in Canada, cutting the annual carbon emissions by over 100,000 tons – the equivalent of taking 44,000 cars off the road (i.e., subcompact cars driving 15,000 km per year).

Environmental and Social Governance

In fiscal 2020, we continued to make progress on our environmental, social, and governance (ESG) initiatives and expect to provide additional transparency and details in our forthcoming ESG report, which will include, among other things, the critical role it plays in shaping our strategy.

GOVERNMENT REGULATIONS AND REGULATORY DEVELOPMENTS

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various pieces of legislation, including the *Broadcasting Act* (Canada) ("*Broadcasting Act*"), the *Telecommunications Act* (Canada) ("*Telecommunications Act*"), the *Radiocommunication Act* (Canada) ("*Radiocommunication Act*"), and the *Copyright Act* (Canada) ("*Copyright Act*"). Broadcasting and telecommunications are generally administered by the Canadian Radio-television and Telecommunications Commission (CRTC or the "Commission") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and ISED, respectively. The allocation and use of wireless spectrum in Canada are governed by spectrum licences issued by, and radio authorization conditions set by, ISED pursuant to the *Radiocommunication Act*.

In June 2018, ISED and Canadian Heritage launched the Broadcasting and Telecommunications Legislative Review (BTLR), which also included a review of the *Radiocommunication Act*. The BTLR was conducted by a panel of external experts (the "Expert Panel") tasked with studying the legislation. On January 29, 2020, the Expert Panel issued its final report making recommendations to the Ministers of Innovation, Science and Industry and Canadian Heritage for modernizing Canada's *Broadcasting Act*, *Telecommunications Act*, and *Radiocommunication Act* (the "BTLR Final Report"), including certain recommendations for legislative and regulatory changes that could impact the business practices of the Company and/or result in new fees for the Company if implemented by the federal government (see "Potential Legislative Changes" in the *Broadcasting Act* and *Telecommunications Act* sections, below). Although the BTLR was initiated – and the Expert Panel was instituted – by the federal government, the Expert Panel was independent of the federal government and its recommendations may or may not be reflected in any legislative reform introduced by the federal government.

Limits on Non-Canadian Ownership and Control

Neither a holding company that has a subsidiary operating company licensed under the *Broadcasting Act*, nor any such licensee, may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. Pursuant to the Direction to the CRTC (Ineligibility of Non-Canadians) (the "Direction"), non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the *Broadcasting Act*. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. If a holding company of a licensee does not satisfy the requirement that 80% of its board of directors be resident Canadians, it must have a CRTC-approved Independent Programming Committee (IPC) in place to ensure that neither the holding company nor its directors exercise control or influence over the programming decisions of its subsidiary licensee. With CRTC approval, Shaw has implemented an IPC to comply with the Direction.

Similar restrictions apply to certain Canadian carriers pursuant to the *Telecommunications Act*, the *Radiocommunication Act* and associated regulations, except that there is no requirement that the CEO be a resident Canadian of a company operating pursuant to those Acts. Instead, the *Telecommunications Act*, the *Radiocommunication Act* and associated regulations require only that 80% of the voting shares of such entities be held by resident Canadians. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend, or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Broadcasting Act

Pursuant to the *Broadcasting Act*, the CRTC is mandated to regulate and supervise all aspects of the broadcasting system in a flexible manner. The *Broadcasting Act* requires broadcast distribution undertakings (BDUs) to give priority to the carriage of Canadian services; to provide efficient delivery of programming services at affordable rates; to provide reasonable terms for the carriage, packaging and retailing of those programming services; and provides the option to operate a community channel. Under the *Broadcasting Act*, the Governor in Council (GiC) may issue broad policy directions of general application on matters with respect to the objectives of Canada's broadcasting policy and related regulatory policy.

The *Broadcasting Act* also sets out requirements for television broadcasters with respect to Canadian content. The Company's broadcasting distribution business and on-demand programming services depend on licences (or operate under an exemption order) granted and issued by the CRTC under the *Broadcasting Act*. Pursuant to CRTC regulations, the Company is required to contribute 5% of its cable and direct-to-home (DTH) BDUs' gross revenues to the production of Canadian programming.

Licensing and Ownership

In August 2018, the Commission renewed the Company's cable licences for a five-year term from September 1, 2018 to August 31, 2023. In November 2019, the Company's DTH and Satellite Relay Distribution Undertaking (SRDU) licences were each renewed for seven-year terms from December 1, 2019 to August 31, 2026.

In May 2017, the Company's video-on-demand licence was renewed for a five-year term from September 1, 2017 to August 31, 2022. In August 2019, the Company's terrestrial PPV and DTH PPV licences were renewed for five-year terms from September 1, 2019 to August 31, 2024.

New Media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage. The CRTC has not imposed any levy on the revenue of exempt digital media undertakings to support Canadian new media content.

Potential Legislative Changes

Pursuant to the Ministerial mandate letters issued December 13, 2019, the Minister of Canadian Heritage and the Minister of Innovation, Science and Industry were directed to: "modernize the *Broadcasting Act* and *Telecommunications Act*, examining how best to support Canadian content in English and French [...]"; and "introduce legislation by the end of 2020 that will take appropriate measures to ensure that all content providers, including internet giants, offer meaningful levels of Canadian content in their catalogues, contribute to the creation of Canadian content in both official languages, promote this content and make it easily accessible on their platforms."

Pursuant to the BTLR Final Report, issued on January 29, 2020, the Expert Panel recommended maintaining the existing 5% levy on the gross revenues of BDUs to support the production of Canadian content, while introducing an expanded regulatory regime, in which, among other things, new categories of online digital media offerings would become subject to regulatory obligations and Canadian contribution requirements. The Minister of Canadian Heritage previously indicated in July 2019 that the federal government intends to take appropriate measures swiftly, when it receives the BTLR Final Report, to ensure that "all players, including the Internet giants" offer meaningful levels of Canadian content, contribute to the creation of Canadian content, and promote Canadian content and make it easily accessible on platforms.

Any changes to the *Broadcasting Act* pursuant to the BTLR Final Report or Ministerial mandates could impact the business practices of the Company, or result in new fees payable by the Company's cable, DTH or digital media services; new competition in the provision of broadcasting distribution services; and/or negative impacts to the Company's financial results from broadcasting.

Other Potential New or Increased Fees

New fees could also be imposed pursuant to CRTC regulation, with or without legislative changes. The Commission indicated that in 2020-2021 it will consider whether to examine new mechanisms to support television news production. If the CRTC were to consider and implement support for television news production through increased access by broadcasters to subscription revenue, it would increase costs for the Company. Additionally, the Commission indicated that in 2021-2022 it will "examine options for the appropriate measures needed to ensure that all content providers on all platforms contribute to the creation of Canadian content in both official languages, that Canadian content is promoted and given appropriate prominence, and that it is easily accessible by Canadians." Implementation of new regulatory measures with the foregoing objectives could result in new fees payable by the Company's cable, DTH or digital media services; impact the business practices of the Company, including through new distribution and promotion requirements, with increased costs payable by the Company's cable, DTH, or digital media services; and/or negatively impact the Company's financial results from broadcasting.

Sections 21 and 49 of the CRTC's *Broadcasting Distribution Regulations* (the "BDU Regulations") currently state that a cable BDU must obtain the consent of an over-the-air (OTA) broadcaster in order to distribute its signal in a distant market. In the case of DTH BDUs, the BDU Regulations permit the distribution of local OTA television signals on a distant basis without consent within the province of origin, but the BDU Regulations state that DTH BDUs must obtain broadcaster consent to deliver an OTA television signal out-of-province unless the DTH BDU is required to carry the signal out-of-province on its basic service. There are questions as to the jurisdictional validity of sections 21 and 49 of the BDU Regulations, which are currently being considered by the CRTC pursuant to an application by Rogers Media Inc. (RMI), posted by the Commission on February 21, 2020, asking the Commission to enforce those sections. Based on the current language of sections 21 and 49 of the BDU Regulations and depending on the outcome of RMI's application, broadcasters may seek to limit distribution of distant signals or remuneration for their distribution by the Company, which could increase costs for the Company and limit its offerings to consumers (including pursuant to demands for signal take-down or program blackouts). In addition, any confirmation by the CRTC of the validity of television broadcast licensees' right of authorization regarding the retransmission of their signals in distant markets could lead to similar demands by non-Canadian broadcasters. Any such impacts or demands could significantly impact the Company's costs and negatively impact the Company's financial results.

Telecommunications Act

Under the *Telecommunications Act*, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable high-quality telecommunication services. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Retail Internet, home phone services and mobile wireless services have been forborne from price regulation. However, regulations do affect certain terms and conditions under which Shaw's retail services are provided. As described further below under "Third Party Internet Access," certain Shaw wholesale services are regulated.

Under the *Telecommunications Act*, the GiC may issue broad policy directions of general application to the CRTC with regard to the telecommunications policy directives set out in the *Telecommunications Act* (each a "Telecommunications Policy Direction"). As described below under "Government Policy Direction to CRTC Concerning Telecommunications," a recent Telecommunications Policy Direction was issued by the GiC with the intention of guiding the CRTC's decision-making on telecommunications matters, including in its recently completed review of mobile wireless services (see below under "CRTC Wireless Review").

The CRTC and ISED can also impose monetary penalties on companies that contravene the *Telecommunications Act*, the *Radiocommunication Act*, and the regulations and rules promulgated thereunder.

ISED is responsible for the allocation, issuance and management of radio spectrum pursuant to the *Radiocommunication Act*. As well, the technical operating aspects of the Company's businesses are regulated by technical requirements and performance standards established by ISED, primarily under the *Telecommunications Act* and the *Radiocommunication Act*.

Potential Legislative Changes

The Minister of Canadian Heritage and the Minister of Innovation, Science and Industry were directed, pursuant to the Ministerial mandate letters issued December 13, 2019, to "modernize the *Broadcasting Act* and *Telecommunications Act*, examining how best to [...] ensure quality affordable internet, mobile and media access." The Minister of Innovation, Science and Industry was also directed to reduce mobile prices by 25% within two years, and failing that, to further expand mobile virtual network operators (MVNOs) in Canada and the CRTC's mandate on affordable pricing. In accordance with this mandate, on March 5, 2020, the Minister of Innovation, Science and Industry announced the expectation that the national carriers (Bell Canada, Rogers Communications Canada and TELUS Communications) reduce their prices for mid-range data plans (2-6 GB) by 25% over the next two years, and indicated that if "these targets are not met within two years, the Federal Government will take action with other regulatory tools to further increase competition and help reduce prices."

In the BTLR Final Report, issued on January 29, 2020, the Expert Panel made recommendations that may lead to increased regulatory oversight of retail and wholesale telecommunications services with an emphasis on affordable access to advanced networks. If adopted, the BTLR Panel's recommendations could result in new regulatory obligations applicable to the Company's Wireless or Wireline services.

Implementation of the foregoing Ministerial mandates (assuming that they remain applicable during the second session of the 43rd Parliament) whether or not in reliance upon the recommendations of the BTLR Final Report, could result in: the introduction of new regulatory measures that negatively impact the business practices of the Company and our ability to serve customers and related costs; and/or negative impacts on the Company's financial results and competitiveness in the wireless and wireline market.

Third Party Internet Access

Shaw is mandated by the CRTC to provide a wholesale high-speed access (HSA) service at regulated rates to independent ISPs ("Resellers"), who use the wholesale HSA services to provide their own retail Internet services to their end-users ("Third Party Internet Access" or "TPIA").

Telecom Order CRTC 2019-288

On August 15, 2019, the CRTC issued Telecom Order 2019-288 (the "Order"), which set Shaw's final wholesale HSA service rates. The final rates are significantly lower than the interim rates set in October 2016, and retroactive to January 31, 2017. The Order, if upheld or insufficiently varied, will significantly reduce the amount that the Company can charge for aggregated HSA services and negatively impact its broadband Wireline revenues and investments as well as its ability to compete with Resellers and other facilities-based HSA providers.

Shaw, jointly with Cogeco, Eastlink, Rogers and Videotron (the "Cable Carriers"), pursued all three routes of appeal of the Order permitted under the *Telecommunications Act*, each with a distinct focus:

- On September 13, 2019, the Cable Carriers filed a motion for leave to appeal the Order with the Federal Court of Appeal (FCA), as well as a motion to stay the Order, pending the final judgment on the appeal (if leave was granted). On November 22, 2019, the motion for leave to appeal the Order, as well as the motion to stay the Order pending final judgment on the appeal was granted. The Cable Carriers' appeal was heard by the FCA on June 25-26, 2020.
- On November 13, 2019, the Cable Carriers filed a Petition to federal Cabinet requesting that Cabinet order the CRTC to: (1) reconsider the Order in conjunction with a review of the regulatory framework for wholesale wireline services, while taking into account telecommunications policy objectives including the need to encourage innovation and investment in networks; and (2) vary the Order by cancelling the retroactivity.
- On December 13, 2019, the Cable Carriers filed an application with the CRTC to review and vary the rate-setting methodology and the resulting rates, as well as the requirement to make retroactive payments (the "R&V Proceeding"). The Cable Carriers also requested that the CRTC stay the Order in the event that the FCA stay of the Order is no longer in effect in advance of the CRTC's disposition of the R&V Proceeding.

On August 15, 2020, pursuant to the Petition to federal Cabinet, the GiC determined that the "final rates set by the decision do not, in all instances, appropriately balance the objectives of the wholesale services framework recognized in Order in Council P.C. 2016-332 of May 10, 2016 and that they will, in some instances, undermine investment in high-quality networks." However, the GiC determined that varying or referring the Order back to the CRTC for reconsideration "is premature pending a decision from the Commission with respect to the applications" in the R&V Proceeding. Instead, the GiC "will monitor the public proceeding in respect of the applications and await the Commission's decision."

On September 10, 2020, the FCA dismissed the Cable Carriers' appeal of the Order, which was based on questions of law and jurisdiction, with the effect that the FCA stay of the Order is no longer in effect.

On September 28, 2020, the CRTC granted a stay of the Order while the R&V Proceeding is underway and the Commission considers the Cable Carriers' application to review and vary the rates.

Any of the following developments could significantly reduce the amount that the Company can charge for aggregated HSA services and negatively impact the Company's broadband Wireline revenues and investments as well as its ability to compete with Resellers and other facilities-based HSA providers: a CRTC decision to maintain the final rates set by the Order, or any variance of the Order by the CRTC (most likely pursuant to the existing R&V Proceeding, or further direction from the GiC) that does not result in a material increase in the rates set by the Order.

Distinction between residential and business wholesale HSA services

On March 3, 2020, the Commission initiated a proceeding to examine wholesale HSA tariff provisions that differentiate between residential and business end-users. The Company's tariffs do not limit or restrict reselling to business end-users. If the Commission's decision goes beyond addressing existing tariff provisions that place restrictions on Resellers based on market segmentation, and mandates new wholesale access requirements applicable to the Company's Consumer or Business Internet services, the Company's broadband revenues and investments, as well as its ability to compete, could be negatively impacted.

Disaggregated Wholesale Services Framework

In 2015, the CRTC completed a review of the wholesale wireline policy framework, including TPIA, and: (i) extended mandated wholesale access services to include FTTP facilities; and (ii) initiated a shift to a new disaggregated wholesale HSA service model. On June 11, 2020, the Commission initiated a new proceeding to consider the appropriate network configuration for disaggregated wholesale HSA services across the country, and suspended the proceeding to set final rates, terms, and conditions for the disaggregated wholesale HSA services in Ontario and Quebec, which had previously been reviewed and approved by the CRTC in 2016. The disaggregated wholesale service configuration that is mandated by the Commission could require significant and costly modifications to the Company's broadband network architecture. The final mandated rates and the terms of disaggregated HSA services could negatively impact the Company's broadband revenues and investments as well as its ability to compete with Resellers and other facilities-based disaggregated HSA providers.

Review of the approach to rate setting for wholesale telecommunications services

On April 24, 2020, the Commission initiated a proceeding to review its approach to rate setting for wholesale telecommunications services. The methodology that is selected will impact the amount that the Company can charge for wholesale HSA service and, if the methodology fails to adequately compensate the Company for the costs associated with provisioning HSA services as well as a reasonable return on investment, it will negatively impact the Company's broadband Wireline revenues and investments and our ability to compete with Resellers and other facilities-based HSA providers. The chosen methodology could also potentially apply to wholesale wireless services, including mandated roaming and any service provisioned pursuant to any mandated MVNO regime imposed by the Commission in its review of mobile wireless services (see below under "CRTC Wireless Review"). The deadline for the submission of replies is currently scheduled for December 7, 2020.

CRTC Wireless Review

In March 2018, the CRTC declined to extend the mandated roaming regime to include public WiFi providers. The Commission subsequently undertook a consultation to investigate the availability and pricing of low cost data-only packages, including whether wireless carriers should be required to offer low-cost data-only packages. In December 2018, the CRTC determined that it would refrain from mandating specific low-cost data-only plans and instead opted to direct the three incumbent national wireless carriers to make available proposed low-cost plans and to keep those plans in the market at least until a decision is issued in its 2019-20 review of mobile wireless services.

In February 2019, the CRTC initiated its review of the regulatory framework for mobile wireless services and held a public hearing in February 2020. The Commission is reviewing competition in the retail market, including potential regulatory intervention, such as new retail policies and mandated low-cost data-only plans, and wholesale wireless regulation, including wholesale access for MVNOs.

The three incumbent national wireless carriers are required by CRTC regulation to provide domestic wholesale roaming services to Shaw and other facilities-based wireless competitors at regulated rates. In March 2018, the CRTC finalized the regulated rates for the mandated wholesale roaming service. As part of its Wireless Review, the CRTC sought comments on whether there is any need to make changes to the wholesale roaming policy, but the Notice of Consultation indicated that the CRTC would not be reviewing the regulated roaming rates.

At the outset of the proceeding, the Commission conveyed its preliminary view that it would be appropriate to mandate wholesale MVNO access to the networks of the national incumbents. Its Notice of Consultation included a series of questions regarding the possible eligibility requirements and other terms and conditions of a possible mandated MVNO regime. The Telecommunications Policy Direction to the CRTC regarding telecommunications, described below, applies to this proceeding. Final submissions were filed July 15, 2020, bringing the proceeding to a close. The CRTC's determinations in this proceeding could negatively impact the Company's financial results, growth prospects, and operational flexibility.

36-Month Device Financing

On August 2, 2019, following the introduction by the national incumbent wireless carriers of equipment installment plans (EIPs) ranging from 24- to 36-months, the Commission ordered all wireless service providers to cease offering EIPs longer than 24-months, and initiated a proceeding to examine whether 36-month EIPs are compliant with the Wireless Code. The proceeding closed in October 2019, and a decision is outstanding. If 36-month EIPs are permitted, it could impact our Wireless division's ability to gain market-share.

Government Policy Direction to CRTC Regarding Telecommunications

On June 16, 2019, the GiC published a finalized Policy Direction (following its publication of a proposed Policy Direction on March 9, 2019) that provides general guidance to the CRTC on all telecommunications regulatory measures, including those affecting Shaw's Consumer and Business Internet and Phone services, wholesale telecommunications services, and Shaw's Wireless services. The Telecommunications Policy Direction directs the CRTC to consider how measures can promote all forms of competition and investment, as well as affordability, consumer interests and innovation. The impact of the new Policy Direction will depend on how the CRTC interprets it in the context of specific matters and proceedings.

Retail Sales Practices

In June 2018, the GiC issued an order to the CRTC, directing it to investigate the retail sales practices used by Canada's large telecommunications carriers and report back to the GiC with its findings on the prevalence of such practices and how existing consumer protections could be expanded, or new protections developed, to ensure consumers are empowered and treated fairly by their service providers.

On February 20, 2019, the CRTC published its Report on Misleading or Aggressive Communications Retail Sales Practices and found that "a significant portion of Canadians are experiencing misleading or aggressive sales practices through all types of sales channels" in connection with their purchase of telecommunications and broadcasting services. While the Report did not result in new rules or regulatory obligations, the Report's findings, coupled with a planned Commission examination of activities undertaken in 2020-2021 to address those findings, could lead to new measures implemented in the context of current or future proceedings. The introduction of any such measures could negatively impact our ability to serve our customers, result in cost increases for the Company and negatively impact the Company's revenue.

Access for Wireline Network

For its wireline network Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy cable facilities. Under the *Telecommunications Act*, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the *Telecommunications Act*, Shaw may access such places with the consent of the municipality or other public authority having jurisdiction.

On December 10, 2019, the Commission initiated a review to examine "potential barriers and/or regulatory solutions to building new facilities or interconnecting to existing facilities in order to extend broadband-capable networks more efficiently into underserved areas [...]." The Commission specifically requested comments on barriers such as access to affordable transport services and efficient use of support structures; how and to what extent these barriers are preventing carriers from extending transport networks and offering services in underserved regions; and proposals on potential regulatory measures to address the barriers. Due to delays caused by the COVID-19 pandemic, this proceeding is still ongoing. The introduction of regulatory requirements applicable to the provision of wholesale transport services in rural or remote areas could negatively impact the Company's financial results.

Radiocommunication Act

Our Wireless division holds licences for the use of radiofrequency spectrum required to operate its mobile wireless business. Those spectrum licences are administered by ISED under the *Radiocommunication Act*. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

Any changes to the *Radiocommunications Act* pursuant to the BTLR (see "Government Regulations and Regulatory Developments") could impact the business practices of the Company and/or the processes governing its acquisition of new spectrum for purposes of building its wireless networks.

Wireless Spectrum Licences

The Company's AWS-1 spectrum licences were renewed in 2019 for a new 20-year term. The Company's AWS-3 spectrum licences were issued in April 2015 and have a term of 20 years. The 700 MHz and 2500 MHz spectrum licences that the Company purchased from Quebecor were initially issued in February 2014 and May 2015, respectively for a term of 20 years. The Company also holds other 2500 MHz licences, including those acquired at ISED's 2018 residual auction, which were issued for a 20-year term. The Company also acquired 600 MHz licences at ISED's 2019 auction, which were issued for a 20-year term.

The Company's licences come with conditions, including a variety of deployment conditions. In July 2019, ISED issued a decision in response to its consultation on a new set of smaller service areas for spectrum licensing ("Tier 5 Service Areas") to complement ISED's existing service areas. ISED has created Tier 5 Service Areas with the objective of encouraging additional access to spectrum within rural areas pursuant to its licensing process. Currently, none of the Company's licences are subject to Tier 5 deployment requirements, but future licences may incorporate a requirement for deployment in such new service areas.

In June 2019, ISED released its decision on revisions to the 3500 MHz (3450-3650 MHz) band, which enabled existing holders to retain a portion of their 3500 MHz spectrum to convert to mobile spectrum, with the remaining spectrum to be made available for auction. In March 2020, ISED released its policy and licensing framework (the "Framework") for the upcoming 3500 MHz (3450-3650 MHz) auction, following a public consultation process in 2019. The Framework adopted a spectrum set-aside for eligible entities, the amount of which differs by area depending on the amount of spectrum available for auction and whether the area includes a large population centre. The auction is scheduled to commence in June 2021.

In August 2020, ISED commenced a public consultation on proposed revisions to the 3800 MHz band (3650-4200 MHz). The consultation seeks comments on, among other things, whether and how the band should be repurposed to include mobile use and the treatment of existing users in the band.

Following a consultation in 2018, ISED released a decision allowing future mobile use in the millimetre wave bands, including 26 GHz, 28 GHz, and 38 GHz bands, as well as licence-exempt use in the 64-71 GHz bands. The details of the licensing framework for these bands will be the subject of a future proceeding.

Access for Wireless Network

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers and/or sites owned and operated by third party tower and/or sites providers and the three national wireless incumbent carriers. Pursuant to the conditions of their spectrum licences and the CRTC's policy framework for wholesale wireless services, the three national wireless incumbent carriers must allow competitors, including Freedom Mobile and Shaw Mobile, to co-locate equipment at these locations. However, the application and approval process for the sharing of towers is lengthy, and the ISED and CRTC processes that are available to enforce the existing rules can also be challenging and time consuming. The CRTC's review of mobile wireless services included a focus on reducing barriers to infrastructure deployment and whether any further regulatory measures are required to reduce barriers to the deployment of wireless infrastructure.

Copyright Act

Canada's *Copyright Act* accords the creators and owners of content various rights to authorize or be remunerated for the use of their works and performances, including, in some instances, by broadcast distribution undertakings. In addition, the *Copyright Act* creates certain exceptions that permit the use of copyrighted works without the authorization or remuneration of rights holders.

New or Potential Legislative Changes

On December 17, 2018, Bill C-86, the Budget Implementation Act (BIA), received Royal Assent and contains several amendments to the *Copyright Act* which came into force on April 1, 2019. The amendments create the potential for increased fees as well as risk of copyright infringement. Changes to the *Copyright Act* introduced by the BIA include the elimination of the *Copyright Act's* mandatory tariff-setting regime for tariffs applicable to the public performance of works, providing performance rights collectives the option of negotiating payments on a user-by-user basis through direct licensing. A direct licensing approach, if undertaken by a collective to which Shaw remits tariff payments, could increase royalties as well as the transactional costs associated with clearing copyrights. The BIA also potentially increases risk of claims (and associated liability) in connection with unrepresented repertoire, by removing a provision that had prevented infringement proceedings by unrepresented rightsholders in situations where no tariff was filed. Finally, pursuant to the *Copyright Act*, the Copyright Board of Canada (the "Copyright Board") oversees the collective administration of copyright royalties in Canada, including the review and approval of copyright tariff royalties payable to copyright collectives by BDUs, television broadcasters and online content services. The Copyright Board may also make rulings on the interpretation of the *Copyright Act* in the course of issuing copyright tariff decisions.

The Minister of Canadian Heritage and the Minister of ISED were directed, pursuant to their mandate letters issued December 13, 2019, to work together in reviewing the *Copyright Act*. Any amendments to the *Copyright Act* that modify the terms and conditions applicable to the use of content, including new rights and/or the scope of flexibility pursuant to exceptions under the *Copyright Act*, could create increased fees and negatively impact the business practices of the Company, as well as the ability to serve our customers.

Potential for New or Increased Fees

In August 2017, the Copyright Board issued a decision interpreting the scope and meaning of the "making available" provision (section 2.4(1.1) of the *Copyright Act*). The Copyright Board determined that as a result of section 2.4(1.1), the mere making available of a work on a server for the purpose of later streaming or download by the public is an event for which a tariff was payable, expanding the scope of the performance right and the Society of Composers, Authors and Music Publishers of Canada's (SOCAN) entitlement to royalties. In September 2017, the Company, along with a number of other broadcasting and Internet companies, filed an application for judicial review, arguing that the Copyright Board's interpretation of the "making available" provision was erroneous. In June 2020, the FCA overturned the Copyright Board's interpretation. The deadline to file an application for leave to appeal to the Supreme Court of Canada (SCC) is November 12, 2020. If leave is sought and granted and the SCC restores the Copyright Board's interpretation, it could lead to new claims by rights holders in connection with Company technologies that facilitate downloading.

On December 18, 2018, the Copyright Board released a rate decision for the Distant Signal Retransmission Tariff for the past tariff period of 2014-2018, inclusive, which introduced a rate increase that applied retroactively, and established an interim tariff for 2019 based on the 2018 rate. Both the Copyright Collective of Canada (the "Collectives") and Objectors filed a Notice of Application for judicial review with the FCA on November 4, 2019. If the Collectives succeed in the judicial review, the Company could become subject to significantly increased royalty rates for the 2014-208 period, pursuant to either the FCA's decision in the judicial review or any redetermination of the rates by the Copyright Board.

Privacy and Anti-Spam Legislation

Privacy Legislation

The Personal Information Protection and Electronic Documents Act (Canada) (PIPEDA)

is Canada's federal privacy law regulating the collection, use, and disclosure of personal information in Canada by a federally regulated organization in the private sector. The Company has established a privacy policy and its internal privacy processes in accordance with PIPEDA.

The Company has implemented the necessary processes to comply with the PIPEDA provisions requiring mandatory reporting of serious privacy breaches, which came into effect on November 1, 2018. These provisions require companies to: (i) track all breaches of security safeguards that involve personal information under their control, and (ii) report to affected individuals and to the Office of the Privacy Commissioner of Canada (OPC) serious breaches of personal information that create a real risk of significant harm. Failure to report in accordance with these provisions could result in fines.

Consent Guidelines issued by the OPC came into effect on January 1, 2019. These guidelines set out principles for organizations to follow in order to obtain meaningful consent and require that organizations provide more interactive, easy-to-understand privacy disclosures to their users. The Company maintains internal practices and policies to facilitate compliance with these Consent Guidelines.

Global policy developments and heightened public attention on privacy issues have prompted reviews of privacy legislation and regulations in Canada. Any changes to privacy laws and regulations applicable to Shaw could require the Company to adjust its policies and practices in key areas including data anonymization, consent, and data portability.

Such changes could result in new costs payable by the Company, impede the Company's ability to provide services efficiently to its customers, and expose the Company to increased penalties and claims in connection with any non-compliance.

Canada's Anti-Spam Legislation (CASL)

CASL sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. The Company maintains internal practices and policies to facilitate compliance with CASL.

On June 5, 2020, the FCA dismissed an appeal filed by CompuFinder, in which the appellant challenged the constitutionality of CASL. In addition to upholding the constitutionality of CASL, the FCA provided guidance on the business to business relationship exemption as well as the conspicuous publication rules and the CASL requirements for a functional unsubscribe mechanism.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs (PSP). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

Financial Measures

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards (IFRS). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions, and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings, and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-GAAP measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-GAAP financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Adjusted EBITDA

Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") (previously referred to as "Operating income before restructuring costs and amortization") is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ongoing ability to service and/or incur debt and is therefore calculated before items such as restructuring costs, equity income/loss of an associate or joint venture, amortization (a non-cash expense), taxes, and interest. Adjusted EBITDA is one measure used by the investing community to value the business.

Adjusted EBITDA has no directly comparable IFRS financial measure. Alternatively, the following table provides a reconciliation of net income to adjusted EBITDA:

	Year ended August 31,		
(millions of Canadian dollars)	2020 (1)	2019	Change %
Net Income	**688**	733	(6.1)
Add back (deduct):			
Restructuring costs	**14**	(9)	>(100.0)
Amortization:			
Deferred equipment revenue	**(16)**	(21)	(23.8)
Deferred equipment costs	**65**	85	(23.5)
Property, plant and equipment, intangibles and other	**1,168**	974	19.9
Amortization of financing costs – long-term debt	**3**	3	–
Interest expense	**274**	258	6.2
Equity income (loss) of an associate or joint venture	**–**	(46)	(100.0)
Loss on disposal of an associate or joint venture	**–**	109	(100.0)
Other gains (losses)	**16**	(50)	>(100.0)
Current income tax expense	**120**	114	5.3
Deferred income tax expense (recovery)	**59**	4	>100.0
Adjusted EBITDA	**2,391**	2,154	11.0

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

Adjusted EBITDA margin

Adjusted EBITDA margin (previously referred to as "Operating margin") is calculated by dividing adjusted EBITDA by revenue. Adjusted EBITDA margin is also one of the measures used by the investing community to value the business. Adjusted EBITDA margin has no directly comparable IFRS financial measure.

	Year ended August 31,		
	2020 (1)	2019	Change %
Wireline	**48.3%**	45.5%	6.2
Wireless	**28.9%**	19.0%	52.1
Combined Wireline and Wireless	**44.2%**	40.3%	9.7

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

Net debt

The Company uses this measure to perform valuation-related analysis and make decisions about the Company's capital structure. We believe this measure aids investors in analyzing the value of the business and assessing our leverage. Refer to "Liquidity and Capital Resources" for further detail.

Net debt leverage ratio

The Company uses this ratio to determine its optimal leverage ratio. Refer to "Liquidity and Capital Resources" for further detail.

Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and pay dividends to shareholders.

In conjunction with the adoption of IFRS 16, we have amended our definition of free cash flow to remove the increase to adjusted EBITDA attributable to IFRS 16 to ensure a consistent focus on free cash flow generation.

Free cash flow consists of adjusted EBITDA, adding dividends from equity accounted associates, changes in receivable related balances with respect to Wireline customer equipment financing transactions as a cash item and deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, interest on lease liabilities and payments relating to lease liabilities, dividends paid on the preferred shares, recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow, including adjusted EBITDA, continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are also reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow is calculated as follows:

(millions of Canadian dollars)	Year ended August 31, 2020	2019	Change %
Revenue			
Consumer	**3,683**	3,743	(1.6)
Business	**567**	557	1.8
Wireline	**4,250**	4,300	(1.2)
Service	**815**	694	17.4
Equipment	**351**	353	(0.6)
Wireless	**1,166**	1,047	11.4
	5,416	5,347	1.3
Intersegment eliminations	**(9)**	(7)	28.6
	5,407	5,340	1.3
Adjusted EBITDA [1][3]			
Wireline	**2,054**	1,955	5.1
Wireless	**337**	199	69.3
	2,391	2,154	11.0
Capital expenditures and equipment costs (net): [2]			
Wireline	**815**	827	(1.5)
Wireless	**296**	385	(23.1)
	1,111	1,212	(8.3)
Free cash flow before the following	**1,280**	942	35.9
Less:			
Interest	**(223)**	(256)	(12.9)
Interest on lease liabilities [3]	**(44)**	–	>100.0
Cash taxes	**(148)**	(160)	(7.5)
Lease payments relating to lease liabilities [3]	**(112)**	–	>100.0
Other adjustments:			
Dividends from equity accounted associates	–	10	(100.0)
Non-cash share-based compensation	**2**	3	(33.3)
Pension adjustment	**1**	7	(85.7)
Customer equipment financing	–	1	(100.0)
Preferred share dividends	**(9)**	(9)	–
Free cash flow [1]	**747**	538	38.8

(1) Adjusted EBITDA and free cash flow are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures.
(2) Per Note 26 to the audited Consolidated Financial Statements.
(3) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

Statistical Measures

Subscriber counts (or Revenue Generating Units (RGUs))

The Company measures the count of its subscribers in its Consumer, Business, and Wireless divisions.

In the Consumer and Business divisions, Wireline Video subscribers include residential customers, multiple dwelling units (MDUs) and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in his or her rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as Wireline Video customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection.

Internet customers include all modems on billing and Phone includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Consumer and Business divisions' RGUs represent the number of products sold to customers and includes Video (cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2020 these combined divisions had approximately 5.3 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g., cellular phone, smartphone, tablet, mobile Internet device) has access to the wireless network for voice and/or data communications, whether prepaid or postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2020 the Wireless division had approximately 1.8 million RGUs.

Wireless Postpaid Churn

Wireless postpaid subscriber or RGU churn ("postpaid churn") measures success in retaining subscribers. Wireless postpaid churn is a measure of the number of postpaid subscribers that deactivated during a period as a percentage of the average postpaid subscriber base during a period, calculated on a monthly basis. It is calculated by dividing the number of Wireless postpaid subscribers that deactivated (in a month) by the average number of postpaid subscribers during the month. When used or reported for a period greater than one month, postpaid churn represents the sum of the number of subscribers deactivating for each period incurred divided by the sum of the average number of postpaid subscribers of each period incurred. Refer to "Segmented Operations Review" for postpaid churn details and description.

Postpaid churn increased 8-basis points in fiscal 2020 to 1.40% from 1.32% in fiscal 2019, reflecting the increased competitive environment experienced during the year.

Wireless average billing per subscriber unit (ABPU)

Wireless ABPU is an industry metric that is useful in assessing the operating performance of a wireless entity. We use ABPU as a measure that approximates the average amount the Company invoices an individual subscriber unit on a monthly basis. ABPU helps us to identify trends and measures the Company's success in attracting and retaining higher lifetime value subscribers. Wireless ABPU is calculated as service revenue (excluding the allocation of the device subsidy attributable to service revenue under IFRS 15) plus the monthly re-payments of the outstanding device balance owing from customers on contract, divided by the average number of subscribers on the network during the period and is expressed as a rate per month. Refer to "Segmented Operations Review" for ABPU details and description.

In fiscal 2020, ABPU grew 5.9% to $44.13 compared to $41.67 in the prior year. ABPU growth reflects the increased number of customers that are subscribing to higher value service plans, partially offset by reduced roaming revenue due to less travel and roaming outside of the Company's wireless home network resulting from the impact of the COVID-19 pandemic.

Wireless average revenue per subscriber unit per month (ARPU)

Wireless ARPU is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity, but does not have a standardized meaning under IFRS. Refer to "Segmented Operations Review" for ARPU details and description.

In fiscal 2020, ARPU grew 2.7% to $38.95 compared to $37.92 in the prior year. ARPU growth reflects the increased number of Wireless customers subscribing to higher service plans, partially offset by lower roaming revenue in the last two quarters of the year due to less travel and roaming outside of the Company's wireless home network resulting from the impact of the COVID-19 pandemic.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity, and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and accompanying notes. The following is a discussion of the Company's critical accounting policies.

Revenue and expense recognition

The identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts requires judgment. For bundled arrangements, we account for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own or with other readily available resources. The Company has multiple deliverable arrangements consisting of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate performance obligations; therefore, these revenue streams are assessed as an integrated package.

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from Video, Internet, Phone, DTH, and Wireless customers includes subscriber revenue earned as services are provided. The revenue is considered earned as the period of service relating to the customer billing elapses. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred as contract liabilities and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years for Wireline customers and two years for Wireless customers.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Costs incurred to obtain or fulfill a contract

The incremental costs to obtain or fulfill a contract with a customer are deferred and amortized into operating expenses over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives that we expect to be recoverable. Determining the deferral criteria for these costs requires us to make significant judgments.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DTH equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore, the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories," these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (i.e., wireless handsets and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenue, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue.

The Company also offers a plan allowing customers to receive a larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the Consolidated Statements of Financial Position.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred indefeasible right to use (IRU) revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

A significant portion of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foreseen, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Leases

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets.

In determining whether a contract contains a lease, the Company makes judgments in determining whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and whether the Company has the right to direct the use of the identified asset.

In determining the contract term, the Company makes judgments in determining the non-cancellable period of the lease and the impact to the term of any options in the contract including options to extend or terminate the lease and whether or not the Company is reasonably certain to exercise these options.

When determining the interest rate used for discounting future cash flows the Company uses the incremental borrowing rate unless the rate implicit in the lease is readily determinable. The determination of the incremental borrowing rate is derived from publicly available rates and adjusted for lease terms. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. **Corporate departments such as Technology, Operations, Products, and Supply Chain (TOPS):** TOPS is involved in overall planning and development of the Video/Internet/Phone/Wireless infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TOPS devotes considerable efforts towards the development of systems to support Phone, WiFi, and projects related to new customer management, billing, and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. **Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the Cable/Internet/Phone infrastructure:** Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, new subdivision builds, increasing network capacity by reducing the number of homes fed from each node, and upgrades of plant capacity and the WiFi build.
3. **Subscriber-related activities such as installation of new drops and Internet and Phone services:** The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (e.g., wiring, software) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects, and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, data centre, and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, customer relationships, and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks, and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value

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may be impaired. The recoverable amount of each cash-generating unit (CGU) is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 9 to the Consolidated Financial Statements.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The timing or amount of the outflow is subject to estimation and judgment. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as interest expense. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

Employee benefit plans

As at August 31, 2020, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected to be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefits Obligation at End of Fiscal 2020	Pension Expense Fiscal 2020
Weighted Average Discount Rate – Non-registered Plans	2.70%	2.90%
Impact of: 1% decrease – Non-registered Plans	$ 81	$ 3

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities. Contractual and other commercial obligations primarily relate to network fees and agreements for use of transmission facilities in the normal course of business.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, consisting of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus Entertainment Inc. ("Corus") are subject to common voting control. During 2016, the Company sold its wholly owned subsidiary Shaw Media to Corus in exchange for cash and an equity interest. The transaction closed on April 1, 2016. In fiscal 2019, the Company received dividends from Corus related to its Corus Class B non-voting participating shareholdings representing 38% of the total issued equity of Corus. On May 31, 2019, the Company completed its secondary offering of its 80,630,383 Class B non-voting participating shares of Corus at a price of $6.80 per share for net proceeds to the Company of approximately $526 million. In fiscal 2019 and fiscal 2020, network, advertising, and programming fees were paid to various Corus subsidiaries. The Company also provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries.

Shaw no longer holds any equity interest in Corus.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). During fiscal 2020, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, British Columbia, is the Company's headquarters for its lower mainland British Columbia operations.

Sale of Real Property

On May 15, 2019, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of Shaw Family Living Trust (SFLT) (the "Purchaser"), for total net proceeds of approximately $45 million (for further detail about SFLT see "Known Events, Trends, Risks and Uncertainties — Control of the Company"). The Property had a net book value of approximately $4 million, resulting in a gain on disposition of approximately $41 million. The purchase price was determined based on appraisals performed by two independent valuators. As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which were also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming, and installation of equipment.

Refer to Note 29 to the Consolidated Financial Statements for further related party transaction detail.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Adoption of recent accounting pronouncements

We adopted the following new accounting standards effective September 1, 2019:

- IFRS 16 Leases was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company would recognize a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As a result of adopting IFRS 16, the Company recognized a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense; an increase to depreciation and amortization, due to the depreciation of the right-of-use asset; and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the previous standard, although actual cash flows are unaffected, the Company's Consolidated Statements of Cash Flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

  Implementation

  We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. We recognized lease liabilities at September 1, 2019 for leases previously classified as operating leases, measured at the present-value of the lease payments using our incremental borrowing rate at that date, with the corresponding right-of-use asset generally measured at an equal amount, adjusted for any prepaid or accrued rent outstanding as at August 31, 2019. Refer to "Transition adjustments" below for details.

  As permitted by IFRS 16, we applied certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16, including the following:

  - not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component;
  - apply a single discount rate to a portfolio of leases with similar characteristics;
  - exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019; and
  - use hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

  On transition, we have not elected the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and on a lease-by-lease basis, respectively, in the future.

  There was no significant impact for contracts in which we are the lessor.

- IFRIC 23 Uncertainty over Income Tax Treatments was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It was required to be applied for annual periods commencing January 1, 2019, which for the Company was the annual period commencing September 1, 2019. The cumulative effect of the initial application of the new standard has been reflected as an adjustment to retained earnings at September 1, 2019. Refer to "Transition adjustments" below for details.

Below is the effect of transition to IFRS 16 and the adoption of IFRIC 23 on our condensed Consolidated Statements of Financial Position as at September 1, 2019.

(millions of Canadian dollars)	As reported at August 31, 2019	Effect of IFRS 16 transition	Effect of IFRIC 23 Transition	Subsequent to transition as at September 1, 2019
ASSETS				
Current				
Cash	1,446	–	–	1,446
Accounts receivable	287	–	–	287
Inventories	86	–	–	86
Other current assets	291	(16)	–	275
Current portion of contract assets	106	–	–	106
	2,216	(16)	–	2,200
Investments and other assets	37	–	–	37
Property, plant and equipment	4,883	1,338	–	6,221
Other long-term assets	195	–	–	195
Deferred income tax assets	4	–	–	4
Intangibles	7,979	–	–	7,979
Goodwill	280	–	–	280
Contract assets	52	–	–	52
	15,646	1,322	–	16,968
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	–	–	40
Accounts payable and accrued liabilities	1,015	–	–	1,015
Provisions	224	–	(5)	219
Income taxes payable	82	–	(11)	71
Current portion of contract liabilities	223	–	–	223
Current portion of long-term debt	1,251	–	–	1,251
Current portion of lease liabilities	–	113	–	113
	2,835	113	(16)	2,932
Long-term debt	4,057	–	–	4,057
Lease liabilities	–	1,211	–	1,211
Other long-term liabilities	75	(2)	–	73
Provisions	79	–	–	79
Deferred credits	425	–	–	425
Contract liabilities	15	–	–	15
Deferred income tax liabilities	1,875	–	38	1,913
	9,361	1,322	22	10,705
Shareholders' equity				
Common and preferred shareholders	6,282	–	(22)	6,260
Non-controlling interests in subsidiaries	3	–	–	3
	6,285	–	(22)	6,263
	15,646	1,322	–	16,968

Prior to adopting IFRS 16, our total minimum operating lease commitments as at August 31, 2019 were $919 million. The weighted average discount rate applied to the total lease liabilities was 3.50% at September 1, 2019. The difference between the total of the minimum lease payments set out in Note 27 to our 2019 Consolidated Financial Statements and the total lease liability recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at August 31, 2019;
- the effect of discounting on the minimum lease payments; and
- certain costs to which we are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

RISK MANAGEMENT

In the normal course of our business activities, the Company is subject to risks. The purpose of risk management is to manage and mitigate risk, rather than to eliminate risk. The Company is committed to continually strengthening our risk management capabilities to protect and enhance value.

Risk Governance and Oversight

The Board of Directors has overall risk governance and oversight responsibilities. Specifically, the Board is responsible for identifying and assessing the principal risks inherent in the business activities of the Company and ensuring that management takes all reasonable steps to implement appropriate systems to manage such risks. The Board of Directors has delegated elements of its risk oversight responsibilities to specific Board committees. The Audit Committee is responsible for: (1) overseeing the Company's processes for identifying, assessing, and managing risks; and (2) ensuring that management implements and maintains effective internal controls and procedures for identifying, assessing and managing the principal risks to the Corporation and its business. In addition, the Human Resources and Compensation Committee is responsible for ensuring that the Company's short, medium and long-term incentive plans do not incent risk-taking beyond the Company's risk tolerance.

Responsibilities for Risk Management

Responsibility for risk management is shared across our organization. Each department's operating management, led by the Company's executive team, have integrated controls and risk management practices into day-to-day activities and decision-making processes. We have risk management and compliance functions across the organization such as Finance, Privacy, Security and Risk, Legal and Regulatory, and Technology Risk Governance. The Internal Audit and Advisory Services (IA&AS) department provides independent and objective audit and advisory services to evaluate and improve the effectiveness of the Company's governance, internal controls, disclosure processes, and risk management activities. The Audit Committee oversees the work of the IA&AS department and all reports issued by the IA&AS department. In addition, the IA&AS department's annual plan is reviewed and approved by the Audit Committee.

Enterprise Risk Management

As part of its role in risk governance and oversight, the Audit Committee oversees the Enterprise Risk Management (ERM) program. The ERM program is a performance focused process designed to identify, monitor, and manage significant corporate level risks that could impact the achievement of our strategic objectives. The Company's executives meet periodically to: (1) review and update significant corporate level risks, (2) assess such corporate level risks in terms of likelihood and magnitude of impact, (3) review the response strategy, and (4) monitor progress. The latest ERM update was provided to the Audit Committee in October 2020, with updates to be provided to the Board at least annually. The significant risks and uncertainties affecting the Company and its business are discussed under "Known Events, Trends, Risks and Uncertainties."

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks, and uncertainties relevant to the Company, its operations, and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements."

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new communications technologies and from illegal services. In addition, the rapid deployment of new technologies, services, and products has blurred the traditional lines between telecommunications, Internet, and distribution services and further expands the competitive landscape. Shaw may also face competition from platforms that may gain advantages through regulatory processes. In addition, the industry has experienced a general reduction in barriers to entry due to technological substitution, the development of IP networks, and certain recent regulatory decisions.

While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology, and customer service and through acquisitions, there can be no assurance that these investments will maintain Shaw's market share or performance in the future. New technologies in the industry may evolve faster than the historical investment cycle, potentially resulting in additional capital investments not currently planned and shorter useful lives for certain of Shaw's existing assets. New products or services introduced into the marketplace may reduce demand for Shaw's existing products and services or exert downward pricing pressure on Shaw's offerings.

The following competitive events, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks, and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers (churn reduction) may require substantial promotional activity and increase our cost of customer acquisition, decrease our ABPU, ARPU or all of these metrics. We expect that competition, including aggressive discounting practices by competitors to gain market share, is likely to continue to increase for all our businesses.

Consumer Internet

Shaw competes with different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading, Internet-of-Things (IOT), interactive gaming, and cloud based services. As described further under "Shaw's Wireline Network," Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth. However, there can be no assurance that our investments in network capacity will continue to meet this increasing demand. In addition, unprecedented situations such as the COVID-19 pandemic highlighted the unpredictable nature of network traffic growth and consumer behavior.

Consumer Video

Shaw's Consumer Video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated OTT and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer Video services. Our Video services also compete with illegal services including grey and black market satellite offerings as well as OTT video piracy services. As a result, we continue to experience cord cutting and cord shaving in our traditional cable services and packages.

Consumer Phone

Shaw's competitors for Consumer Wireline Phone services include traditional telephone companies, other wireline carriers, Voice over Internet Protocol (VoIP) providers and wireless providers. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer Wireline Phone services.

Wireless

Freedom Mobile and Shaw Mobile are new entrants in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. Freedom Mobile and Shaw Mobile's ability to continue to offer and improve Wireless services and to offer new services depends on, among other factors, continued access to, and deployment of, adequate spectrum, including the ability to both renew current spectrum licences and acquire new spectrum licences (in various spectrum bands). If Freedom Mobile and Shaw Mobile cannot acquire and retain required spectrum, they may not be able to continue to offer and improve current Wireless services and deploy new services on a timely basis, including providing competitive data speeds their customers want. For example, the development and utilization of 5G technology requires additional spectrum licenses. While the 5G ecosystems are expected to work on multiple frequency bands, including 600 MHz spectrum, 3.5 GHz spectrum is becoming the primary band for 5G mobile coverage. There is a risk that Shaw may not be able to acquire the 3.5 GHz spectrum required to compete with other wireless carriers. As a result, Freedom Mobile and Shaw Mobile's ability to attract and retain customers could be adversely affected. In addition, an inability to acquire and retain required spectrum could affect network quality and result in higher capital expenditures.

Our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies, including as a result of regulatory decisions or government policies that favour certain competitive platforms. For further detail see "Government Regulations and Regulatory Developments – Telecommunications Act – CRTC Wireless Review."

Business Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications services industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users, and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Services also competes in industries that are highly competitive, rapidly evolving and subject to constant change.

Impact of Regulation

As discussed under "Government Regulations and Regulatory Developments," a majority of our Canadian business activities are subject to: (i) government legislation, (ii) regulations and policies administered by ISED and/or the CRTC, and (iii) conditions of licence imposed by ISED and/or the CRTC. Shaw's operations, financial results, and future prospects are affected by changes in legislation, regulations, policies, and conditions of licence, including pursuant to changes in the interpretation of existing legislation, regulations and requirements contained in such conditions of licence by courts, governments, or the regulators, in particular the CRTC, ISED, Competition Bureau, and Copyright Board. These changes relate to, and may have an impact on, among other things, licensing and licence renewal, spectrum holdings, products and services, competition, programming carriage and terms of carriage, strategic transactions, infrastructure access, and the potential for new or increased fees or costs. All such changes in the regulatory regime may have a material adverse effect on the Company and its operations, reputation, investment capability, ability to compete, as well as the Company's financial results and/or future prospects.

Coronavirus (COVID-19)

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to contain the spread of the virus. These measures, which include the implementation of border closures, travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing, and the closure of non-essential businesses, have caused material disruption to businesses in Canada and globally which has resulted in an uncertain and challenging economic environment.

Global debt and equity capital markets have experienced significant volatility, causing governments and central banks to react with significant monetary and fiscal interventions designed to stabilize economic conditions.

As an ongoing risk, the duration, impact, and potential resurgence of the COVID-19 pandemic is unknown at this time, as is the efficacy and duration of the government interventions. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results, and condition in future periods are also subject to significant uncertainty. Such risks include, but are not limited to:

- uncertainty associated with the costs and availability of resources required to provide the appropriate/required levels of service to our customers through our on-line platforms, self-help, and self-install programs;
- impacts on the availability of, and therefore our ability to provide, the content and programming our customers expect;
- a material reduction in demand for, or profitability of, our products or services, acceleration in cord cutting or cord shaving by our customers, or increase in delinquent or unpaid bills, due to job losses and associated financial hardship;
- issues delivering the Company's products and services due to illness, Company or government-imposed isolation programs, restrictions on the movement of personnel, retail store closures/re-openings, and supply chain disruptions;
- significant additional capital expenditures and the availability of resources required to maintain, upgrade or expand our networks in order to accommodate substantially increased network usage while large numbers of our customers continue working from home;
- uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget;
- significant lost revenue in our Shaw Business segment due to the significant economic challenges that our enterprise, small and medium sized business customers are facing due to the impact of the COVID-19 pandemic;
- the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;
- the negative impact on global debt and equity capital markets, including the trading price of the Company's securities;

- the ability to access capital markets at a reasonable cost; and
- the potential impairment of long-lived assets.

Any of these risks, and others, could have a material adverse effect on our business, operations, capital resources, and/or financial results of operations.

The severity and duration of impacts from the COVID-19 pandemic remain uncertain and management continues to focus on the safety of our people, most of whom continue to work from home, connectivity of our customer base, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. We called into action our robust business continuity plan in the early stages of this crisis to restrict business travel, enable a significant portion of our employee base to work from the safety of their own homes and temporarily close retail locations nationally (with the exception of a limited number of street front stores that remained open to provide urgent customer support).

COVID-19 pandemic continues to evolve and governments reduce, lift, or reimpose emergency measures and interventions, the Company's focus continues to be on the safety and health of its employees, the reliability of its facilities-based network and responsiveness to its customers. The Company's business resumption plan, designed to effect the gradual and safe re-introduction of employees to the workplace and the re-opening of retail stores, is being implemented in phases as government-imposed restrictions on businesses and individuals are lifted. As of the date of this MD&A, substantially all of the Company's retail stores are once again open for business. In order to address the health and safety of its employees returning to work, the Company has put in place many new protocols, including enhanced cleaning measures, sanitization stations, and daily health and wellness self-assessments. The Company is updating employees on a frequent basis to provide information on the situation and on necessary precautions to take. We will continue to have an open dialogue with public safety and government officials at all levels, as well as key suppliers, partners, and customers.

Customer Experience

Shaw's customer loyalty, retention, and likelihood to recommend Shaw all depend on our ability to provide a seamless connectivity experience that meets or exceeds their expectations. As part of the digital transformation, the Company modernized several aspects of its Wireline operations to better meet the needs of today's customer, including shifting customer interactions to digital platforms and driving more self-help, self-install, and self-service. The Company continues to streamline and simplify manual processes that improve its customers overall connectivity experience and day-to-day operations for our employees.

The complexity in our operations due to the use of multiple technology platforms, billing systems, sales channels, marketing databases as well as different rate plans, promotions, and product offerings may limit the Company's ability to respond quickly to market changes and lead to billing, service, or other errors, which may adversely affect customer satisfaction and retention. The failure to sustain and expand customer relationships through quality products and customer service could have a material adverse effect on our business, financial condition, reputation, and/or results of operations.

Shaw uses data analytics tools to perform customer segmentation, improve our offerings to customers, and support corporate decision-making. If the data behind these tools is poor or our analytical tools are not well designed, there is a risk they will not be effective in predicting our customers' needs and wants. The realization of these risks could negatively impact our business and/or reputation.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including its own or third party networks. Such network failures may be caused by fire damage, natural disaster, power loss, cyber attacks, human error, disabling devices, acts of war or terrorism, physical climate change impacts, and other events which may be beyond Shaw's control.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures its plant (underground and aerial infrastructure) in its Fibre+ network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would also be limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the hybrid fibre coax (HFC) access network is located underground.

Shaw protects its wireline and wireless networks through a number of measures, including physical and information technology security, redundancy, and ongoing maintenance and placement of insurance on our network equipment and data centres. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Shaw's networks may also experience unexpected capacity pressures as a result of the impact of the COVID-19 pandemic which could negatively affect network performance and the Company's ability to provide services. Negative impacts on network availability, speed, and consistency could have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various information technology (IT) systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Acquisitions, business combinations and the development and launch of new services typically require significant integration and system development efforts. The Company faces the risk that proposed IT systems or process change initiatives will not be implemented successfully, on budget, or on time. As the complexity of the Company's systems increases, system stability and availability may be affected. Failure to implement and maintain appropriate IT systems could negatively impact Shaw's reputation, operations and/or financial results.

Cyber Security Risks

Cyber attacks are becoming more frequent and sophisticated in nature with an increased potential for damage. Although Shaw's systems and network architecture are designed and operated to be secure, they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software; the unauthorized disclosure, corruption or loss of sensitive Company, customer or personal information; litigation, investigations, fines, and liability for failure to comply with privacy and information security laws; increased fraud; increased cyber security protection costs; and higher insurance premiums. Shaw is also exposed to information security threats as a result of actions by our customers, suppliers, third party service providers, employees and business partners – whether maliciously or otherwise. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security within Shaw while we are monitoring the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance that Shaw will be able to protect its network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Satellite

Shaw uses three satellites (Anik F2, Anik F1R, and Anik G1) owned by Telesat to provide satellite services in our Consumer division. In connection with the Company's digital network upgrade (DNU) program initiated in 2017, the Company has effectively optimized satellite traffic on the Anik F1R and Anik F2 satellites, enabling a reduction in the total number of transponders required by the Company to conduct its business. Effective October 1, 2019, the Company transferred its ownership interest in the 16 Anik F2 transponders, adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements in place on Anik F1R, Anik F2, and Anik G1 until the effective end-of-life dates of such satellites. While the Company intends to negotiate and enter into new capacity service agreements to meet its long term satellite capacity requirements, there can be no assurance that replacement transponder capacity will be available or that such agreements will be entered into on favourable terms, which may have a material adverse effect on customer service and customer relationships, as well as the Company's reputation, operations and/or financial results.

The Company does not maintain any insurance coverage for the transponders on Anik F1R, Anik F2 and Anik G1 as it believes the costs are uneconomic relative to the benefit which could be otherwise derived through an arrangement with Telesat. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellites, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage related to the loss of use of one or more of the transponders on the satellites as it believes that the insurance premium costs are uneconomic relative to the risk of transponder and/or satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-pre-emptible basis. The Company has the option to contract transponders with excess capacities on Anik F2, subject to availability. In the event of satellite failure, service will be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade to their video receivers or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F1R. The Company has reserved limited access to Ku band frequencies in the 107.3 orbital location to enable the switching feature, subject to availability. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Reliance on Suppliers and Third Party Service Providers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The Company sources its customer premise, capital equipment, and capital builds as well as portions of its service offerings, including network, video delivery and IT functions from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier may require us to incur additional capital expenditures for the substitution of existing products and services which could adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its operations and/or its financial results. In the course of fulfilling service arrangements, third party service providers must ensure our information is appropriately protected and safeguarded. Failure to do so may affect Shaw through increased regulatory risk, reputational damage, and damage to customer experience.

There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Shaw participates in global scale initiatives through partnerships with best-in-class service providers such as Comcast, Cisco Meraki, and Nokia to ensure that the technology we adopt and invest in is leading-edge in the global communications industry. There is a risk that the Company's participation in such partnerships ends or that the technology roadmap of Shaw and its partners diverges, resulting in disparate strategic approaches. Such divergence may result in higher capital requirements, prolonged development timelines of new products and services, and suboptimal performance of new products and services introduced by Shaw.

Programming Expenses

Expenses for video programming continue to be one of our most significant operating expenses. Costs continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and this may have a material adverse effect on Shaw, its operations and/or its financial results.

Roaming Agreements

Shaw (and/or its wholly owned subsidiaries) has entered into roaming agreements with multiple carriers in Canada and around the world to extend its national and worldwide coverage. If the Company is unable to extend its national and worldwide wireless coverage, or renew or substitute for those roaming agreements at their respective existing terms or on commercially reasonable terms, the Company may be placed at a competitive disadvantage, which could adversely affect its ability to operate its Wireless business, as well as its reputation and customer experience. In addition, if the Company is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition, and results of Wireless operations could be adversely affected.

The three incumbent national wireless carriers are required by CRTC regulation to provide domestic wholesale roaming services to Shaw and other facilities-based wireless competitors at regulated rates. Changes to the regulated rates or other terms in the wholesale roaming policy could negatively impact the Company's wireless financial results, growth prospects, and operational flexibility. For further detail see "Government Regulations and Regulatory Developments – Telecommunications Act – CRTC Wireless Review."

Economic Conditions

The Canadian economy is affected by uncertainty in global financial and equity markets, slowdowns in national and/or global economic growth, and commodity price challenges. Changes in economic conditions, which may differ across our regional footprint, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results. The advent of the COVID-19 pandemic has exacerbated both the uncertainty and volatility in global financial and equity markets, in addition to negatively impacting economic growth rates.

Talent Management and Succession Planning

Our success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services in the short to medium term. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate, and retain productive and engaged employees could have a material adverse effect on Shaw, its operations and/or financial results. To mitigate this risk, the Company's comprehensive compensation program is designed to attract, retain, motivate, and reward the executive team and key employees through aligning management's interest with our business objectives and performance. Furthermore, the Company conducts annual succession planning to identify and develop key leaders to build capabilities and experiences required for the future.

Total Business Transformation and Voluntary Departure Program

In the second quarter of fiscal 2018, the Company introduced TBT, a multi-year initiative designed to reinvent Shaw's operating model to better meet the changing tastes and expectations of consumers and businesses by optimizing the use of resources, maintaining and ultimately improving customer service, and by reducing staff. Three key elements of TBT were to: 1) shift customer interactions to digital platforms; 2) drive more self-install and self-serve; and 3) streamline the organization that builds and services our network.

On March 5, 2020, the Company announced the substantial completion of the TBT initiative with fiscal 2020 annualized savings related to VDP substantially in line with the previous estimates. A total of $437 million in restructuring charges was recorded since the beginning of the program, of which $425 million has been paid to date. As part of the TBT initiative, we reduced input costs, consolidated functions, and streamlined processes, which has led to operational improvements across the business, allowing us to evolve into a more efficient organization. We have become a more focused, agile, and accountable organization ready to evolve from being product-focused to more purposeful and fully integrated, focusing on satisfying the unique needs of our customers. See also "Total Business Transformation" and "Caution Concerning Forward Looking Statements" for further discussion of the TBT initiative and the VDP.

There is an overall risk that the leaner, more integrated and agile Company resulting from the TBT initiative and the VDP may not be sustainable. Specifically, there is a risk that the Company may not be able to (i) maintain sustainable digital platforms that will continue to effectively engage customers; (ii) maintain sustainable digital platforms that continue to meet or exceed our customers' service level expectations, protect the security of customer information, and coordinate the delivery of product and service offerings; (iii) maintain sustainable programs that will result in customers continuing to use the self-serve and self-help functions, and electing to self-install the Company's products and services; and (iv) continue to consolidate and streamline the functions and processes of the divisions responsible for building and servicing its networks.

Despite the Company's mitigation efforts (including outsourcing certain functions, reassigning/repurposing employees, and the increased customer use of our self-serve, self-help, and self-installation functions), there is still a risk that the Company may not be able to (i) replace or outsource the functions performed by certain key employees that exited the Company in connection with the VDP; (ii) continue to operate the business in the normal course and maintain or improve customer service levels; (iii) maintain employee morale as a result of the organizational changes and staff and cost reductions; and (iv) ensure that the staff reductions will result in sustained cost reductions and achieve the financial goals of the TBT initiative. The realization of any of these risks may have a material adverse effect on Shaw, its reputation, operations, and/or financial results.

Labour Relations

As of August 31, 2020, approximately 5% of our employees are represented by unions under collective bargaining agreements. While the Company strives to maintain positive labour relations, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation, or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes, or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations, and reputation. Even if the Company does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs could be limited by the terms of such collective bargaining agreements. To support all leaders and employees, we continually listen to remove barriers and respond in real-time to needs and concerns. We also continue to provide support for leaders on how to manage change and maintain positive employee engagement and relations.

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) **Interest rates:** Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets. These are more fully described in Note **13** to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are all fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

(b) **Capital markets:** Shaw requires ongoing access to capital markets to support its operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a mix of fixed and floating rate debt. Interest on the Company's unsecured credit facility and accounts receivable securitization program are based on floating rates, while the senior notes are all fixed rate obligations.

As at August 31, 2020, virtually all of Shaw's consolidated long-term debt was fixed with respect to interest rates.

The Company may also enter into derivative contracts, primarily forward contracts, to mitigate its exposure to foreign exchange and interest rate risks. While hedging and other efforts to manage these risks are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. For instance, if Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its derivatives agreements, Shaw assesses the creditworthiness of its derivative counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 30 to the Consolidated Financial Statements.

Inventory

Our Wireless division's inventory balance consists of devices which generally have short product lifecycles due to frequent new device introductions. The failure to effectively manage inventory levels based on product demand may increase the risk of inventory obsolescence, which could negatively impact Shaw's operations and/or financial results.

Similar to other wireless service providers, Shaw subsidizes the cost of subscriber devices to attract customers to sign a term contract with Freedom Mobile or Shaw Mobile. Shaw also commits to a minimum subsidy per unit with certain suppliers of devices. There is a risk that Shaw may be unable to recover the costs of subsidies over the term of the customer contract which could negatively impact our business, operations, or financial results.

Climate Change

Climate change risks are important considerations for Shaw. These risks have been classified as two main types – physical risks and transition risks – which are described in further detail below.

Physical Risks

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we recognize that climate change may increase the severity, duration, and frequency of natural hazards and weather-related events. These in turn may negatively impact our business, which may require us to protect, test, maintain, repair, and replace our networks, IT systems, equipment and other infrastructure. For example:

- increased temperatures could impact our networks, IT systems, equipment and other infrastructure which could require the installation of additional cooling devices;
- acute risks (e.g., ice storms, extreme precipitation, flooding, fires, hurricanes, tornados, tsunamis) and chronic risks (e.g., sea-level rise) could impact or destroy our facilities or network, equipment, and other infrastructure, and affect our employees' ability to safely perform work. These impacts may increase our insurance related expenses, and affect our ability to deliver products and services; and
- climate change related impacts to our key suppliers could adversely affect their ability to supply us with required products and services.

The occurrence of any of these events could have a material adverse effect on our operations and/or financial results. See also "Network Failure" risks above which could increase in severity and/or frequency as a result of climate change related natural disasters.

With the exception of our network equipment and data centres, we self-insure our Fibre+ network and, as a result, have limited insurance coverage against the losses resulting from natural disasters affecting our Fibre+ network. For further detail see "Network Failure" above.

Although we have business continuity/resumption plans and disaster recovery plans and strategies in place, the failure of any of our climate change mitigation and adaptation efforts (including response strategies and business continuity protocols) may affect our business through potential disruption of our operations, damage to our facilities and infrastructure, and affect the communities that we operate in and serve, which may have a material adverse effect on Shaw and its reputation, as well as its operations, prospects and/or financial results.

Transition Risks

Climate change is drawing more attention through evolving public interest as well as government regulation and policy.

- **Policy & legal risk:** Many aspects of our operations are subject to evolving and increasingly stringent federal, provincial, and local environmental, health, and safety laws and regulations. These laws and regulations impose requirements with respect to matters such as fuel storage, the recovery and recycling of end-of-life electronic products, greenhouse gas emissions, the release of substances into the environment, corrective and remedial action concerning such releases, and the proper handling, management and disposal of substances. These evolving considerations and more stringent laws and regulations could lead to increased costs for compliance, which could be material. For example, we may be required to incur additional capital expenditures from substituting existing products and services with lower emissions options. The Company may also incur increased operational costs due to higher fuel and energy prices resulting from carbon taxes and/or cap and trade programs.
- **Reputational Risk:** Failure to recognize and adequately respond to changing environmental matters and expectations, or to comply with environmental laws and regulations, could result in fines, new regulatory obligations and associated costs, or damage to our reputation or brand any of which could have a material adverse effect on our operations and/or financial results.

In fiscal 2020, we continued to make progress on the development of our ESG program. Key areas of focus of the ESG program include the resiliency and sustainability of our converged network and products, including climate change resilience. Through the development of the ESG program, we are considering and integrating climate-related considerations into our governance and risk management practices.

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Shaw is a public company with shares trading on the Toronto and New York stock exchanges. As a result, the Company may be subject to civil liability under Canadian and US securities laws for alleged misrepresentations by the Company in its public disclosure documents and/or oral statements.

Legal and Ethical Compliance

Shaw expects and relies on its employees, officers, Board of Directors, contractors, suppliers, and other business partners to act in accordance with applicable legal and ethical standards in all jurisdictions in which we operate, including, but not limited to, anti-bribery, anti-corruption, and anti-money laundering laws and regulations. Situations where Shaw's employees, officers, Board of Directors, contractors, suppliers, and other business partners do not adhere to applicable laws and regulations, the Company's policies or its contractual obligations, whether inadvertently or intentionally, may expose the Company to litigation and the possibility of damages, sanctions, and fines, or of being disqualified from bidding on contracts, which may have a material adverse effect on Shaw and its reputation, as well as its operations, prospects, and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division and our Shaw Go WiFi operations. Some studies have alleged that links exist between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. The Company complies with all applicable laws and regulations. Further, the Company relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs, result in unexcepted liabilities that were not uncovered through the due diligence process and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share and quarterly preferred share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to fund dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the Company will continue common or preferred share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

Holding Company Structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Voting control of the Company is held by SFLT and its subsidiaries. As at October 30, 2020, SFLT and its subsidiaries held 17,562,400 Class A Shares, representing approximately 79% of the issued and outstanding Class A Shares, for the benefit of the descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board consisting of seven directors, including as at October 30, 2020, Bradley S. Shaw, four other members of his family, and two independent directors.

The Class A Shares are the only shares entitled to vote in all circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A Shares.

SUMMARY OF QUARTERLY RESULTS

Below is a summary of the Company's consolidated financial results and selected key performance drivers for fiscal 2020 and 2019.

	2020[1]				2019			
(millions of Canadian dollars except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**1,349**	**1,312**	**1,363**	**1,383**	1,349	1,322	1,315	1,354
Adjusted EBITDA [2]	**594**	**609**	**600**	**588**	534	528	548	544
Restructuring costs	—	**(14)**	—	—	10	—	—	(1)
Amortization [1]	**(312)**	**(302)**	**(300)**	**(303)**	(250)	(263)	(264)	(262)
Amortization of financing costs	**(1)**	—	**(1)**	**(1)**	(1)	(1)	—	(1)
Interest expense [1]	**(68)**	**(67)**	**(68)**	**(71)**	(66)	(62)	(68)	(62)
Other income (expense)	**(1)**	**7**	**(19)**	**(3)**	2	(36)	(1)	23
Income taxes	**(37)**	**(49)**	**(45)**	**(48)**	(63)	61	(61)	(55)
Net income [1][3]	**175**	**184**	**167**	**162**	166	227	154	186
Net income attributable to equity shareholders	**175**	**184**	**167**	**162**	166	225	154	186
Net income attributable to non-controlling interests	—	—	—	—	—	2	—	—
Earnings per share [1]								
Basic and diluted	**0.34**	**0.35**	**0.32**	**0.31**	0.32	0.43	0.30	0.36
Other Information								
Cash flows from operating activities	**632**	**588**	**361**	**339**	435	432	410	291
Free cash flow [2]	**152**	**221**	**191**	**183**	42	174	159	163
Capital expenditures and equipment costs	**307**	**268**	**276**	**260**	382	280	279	271

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions below and under "Results of Operations" and "Segmented Operations Review."

(2) Adjusted EBITDA and free cash flow are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures, including how we calculate them.

(3) Net income attributable to both equity shareholders and non-controlling interests.

F20 Q4 **vs** F20 Q3	In the fourth quarter of fiscal 2020, net income decreased $9 million compared to the third quarter of fiscal 2020 mainly due to an $15 million decrease in adjusted EBITDA and a $23 million increase in current taxes in the fourth quarter as well an $8 million decrease in other gains as a result of an insurance claim recovery in the third quarter partially offset by a $35 million decrease in deferred taxes and a $14 million decrease in restructuring costs in the fourth quarter.
F20 Q3 **vs** F20 Q2	In the third quarter of fiscal 2020, net income increased $17 million compared to the second quarter of fiscal 2020 mainly due to a $26 million increase in other gains/losses, which includes the impact of the $17 million payment related to the early redemption of $800 million in senior notes in the second quarter, a $6 million insurance claim recovery, a $9 million increase in adjusted EBITDA in the third quarter and a $4 million decrease in current taxes, offset by a $14 million restructuring cost and an $8 million increase in deferred taxes, also in the third quarter.
F20 Q2 **vs** F20 Q1	In the second quarter of fiscal 2020, net income increased $5 million compared to the first quarter of fiscal 2020 mainly due to a $13 million decrease in current taxes, a $12 million increase in adjusted EBITDA and a $3 million decrease in interest expense, all in the second quarter, partially offset by a $17 million payment related to the early redemption of $800 million in senior notes and a $10 million increase in deferred taxes, also in the second quarter.
F20 Q1 **vs** F19 Q4	In the first quarter of fiscal 2020, net income decreased $4 million compared to the fourth quarter of fiscal 2019 mainly due to a $23 million decrease in deferred taxes in the first quarter. This was partially offset by a $7 million increase in current taxes in the first quarter as well as the net impact of the adoption of IFRS 16 which resulted in a decrease to operating, general and administrative costs that was more than offset by increases to amortization of property, plant and equipment, intangibles and other and interest expense.

F19 Q4 vs F19 Q3	In the fourth quarter of fiscal 2019, net income decreased $63 million compared to the third quarter of fiscal 2019 mainly due to a $21 million increase in current taxes in the fourth quarter, a $41 million gain on the disposal of property, plant and equipment to a related party, a $15 million gain on the sale of a portfolio investment and the $102 million impact of a tax rate change on deferred taxes, partially offset by a $109 million loss on the disposal of the Company's entire equity investment in Corus, all recorded in the third quarter.
F19 Q3 vs F19 Q2	In the third quarter of fiscal 2019, net income increased $74 million compared to the second quarter of fiscal 2019 mainly due to a $41 million gain on the disposal of property, plant and equipment to a related party, a $15 million gain on the sale of a portfolio investment and the $102 million impact of a tax rate change on deferred taxes, partially offset by a $109 million loss on the disposal of the Company's entire equity investment in Corus, all recorded in the third quarter.
F19 Q2 vs F19 Q1	In the second quarter of fiscal 2019, net income decreased $32 million compared to the first quarter of fiscal 2019 mainly due to a $20 million decrease in equity income related to the Company's investment in Corus in the quarter and higher income taxes.
F19 Q1 vs F18 Q4	In the first quarter of fiscal 2019, net income decreased $10 million compared to the fourth quarter of fiscal 2018 mainly due to a $12 million decrease in adjusted EBITDA and a decrease in other gains mainly related to a $16 million gain on the sale of certain wireless spectrum licences in the fourth quarter of fiscal 2018. These decreases were partially offset by a $10 million increase in equity income related to the Company's investment in Corus in the first quarter.

Fourth Quarter 2020 Highlights

The following discusses the results for the fourth quarter of fiscal 2020 (three-month period ended August 31, 2020) as compared with the results from the fourth quarter of fiscal 2019 (three-month period ended August 31, 2019).

Revenue

Consolidated revenue was comparable year-over-year at $1.35 billion.

- Wireless revenue of $294 million for the fourth quarter of fiscal 2020 increased $14 million, or 5.0%, over the fourth quarter of fiscal 2019. The increase was driven mainly by higher service revenues which contributed an incremental $27 million to consolidated revenue primarily due to higher postpaid RGUs and a 6.6% and 4.2% year-over-year increase in ABPU to $44.81 and ARPU to $39.65, respectively, reflecting the increased number of Wireless customers subscribing to higher service plans, partially offset by lower roaming revenue in the quarter due to less travel and roaming outside of the Company's wireless home network resulting from the impact of the COVID-19 pandemic. Equipment revenue decreased $13 million, or 13.5%, over the previous year due to lower subscriber activations.
- Consumer division revenue decreased $13 million, or 1.4%, to $917 million as growth in Internet revenue was offset by declines in Video, Satellite, and Phone subscribers and revenue.
- Business division revenue of $140 million was essentially flat in comparison to the fourth quarter of fiscal 2019 as impacted Business customers temporarily reduced, suspended, or cancelled their accounts due to the challenging economic environment facing businesses stemming from the COVID-19 pandemic.

Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of $594 million increased $60 million, or 11.2%, from $534 million in the comparable prior year quarter. Removing the $40 million impact from IFRS 16 in the fourth quarter, adjusted EBITDA increased approximately 3.7% over the prior year quarter.

- Wireless adjusted EBITDA of $84 million for the fourth quarter of fiscal 2020 improved by $33 million, or 64.7%, over the fourth quarter of fiscal 2019. The increase reflects the impact of the adoption of IFRS 16 which contributed $20 million, or 39.2%, to the increase while the remaining increase was mainly due to postpaid RGU growth, an increase in margins due to lower equipment sales and lower acquisition related costs, and continued ARPU growth of 4.2% in the quarter.
- Wireline adjusted EBITDA for the fourth quarter of fiscal 2020 of $510 million increased 5.6%, or $27 million, from $483 million in the fourth quarter of fiscal 2019. The increase primarily reflects the impact of the adoption of IFRS 16 which contributed $20 million, or 4.1%, to the increase as well as the impact of the $10 million charge related to CRTC regulatory matters in the fourth quarter of fiscal 2019.

Adjusted EBITDA margin

Adjusted EBITDA margin for the fourth quarter of 44.0% increased 440-basis points compared to 39.6% in the fourth quarter of fiscal 2019. Excluding the impact of IFRS 16, adjusted EBITDA margin of 41.1% increased 150-basis points in comparison to the fourth quarter of fiscal 2019.

Capital expenditures and equipment

In the fourth quarter of fiscal 2020, capital investment of $307 million decreased $75 million from the comparable period in fiscal 2019. Total Wireline capital spending of $192 million decreased by approximately $42 million year-over-year primarily due to lower success-based capital and investments in new housing development. Wireless spending of $115 million decreased by approximately $33 million year-over-year primarily due to the timing of expenditures and lower planned investment in the quarter.

Amortization

Amortization of $312 million increased 24.8% compared to the fourth quarter of 2019. The increase in amortization reflects the impact of the adoption of IFRS 16 which contributed an additional $37 million, or 14.8%, in amortization related to the newly recognized right-of-use assets as well as the amortization of new expenditures exceeding the amortization of assets that became fully amortized during the period.

Interest

Interest expense of $68 million for the fourth quarter increased $2 million over the comparable prior year quarter and reflects the impact of the adoption of IFRS 16 which resulted in an additional $11 million in interest expense related to lease liabilities, partially offset by the lower average outstanding debt balances in the period.

Free cash flow

Free cash flow for the quarter of $152 million compared to $42 million in the comparable prior year quarter. The increase was largely due to higher adjusted EBITDA and lower capital expenditures and interest costs.

Income taxes

Income taxes were lower in the quarter compared to the fourth quarter of fiscal 2019 due mainly to the decrease in net income and the recognition of previously unrecognized tax losses.

Seasonality and Trends

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Our Video subscriber activity is influenced by cord shaving and cord cutting trends, which has resulted in fewer subscribers watching traditional cable TV, as well as a lower number of TV subscribers. In addition, trends in the use of wireless products and Internet or social media as substitutes for traditional home phone products have resulted in fewer Phone subscribers. Satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods, and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of wireless competitive activity as a result of back to school and holiday season-related consumer behavior. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireline and Wireless businesses do not depend on any single customer or concentration of customers.

Subscriber Statistics

Growth (losses) in subscriber statistics as follows:

	2020					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	1,478,371	(13,948)	(19,310)	(21,604)	(32,989)	1,390,520
Video – Satellite	703,223	(31,875)	(13,211)	(110)	(7,300)	650,727
Internet	1,911,703	5,648	6,072	(5,103)	(14,452)	1,903,868
Phone	767,745	(26,178)	(23,547)	(20,648)	(24,762)	672,610
Total Consumer	4,861,042	(66,353)	(49,996)	(47,465)	(79,503)	4,617,725
Video – Cable	41,843	1,622	(2,779)	(4,854)	1,680	37,512
Video – Satellite	35,656	2,333	1,099	(4,835)	1,749	36,002
Internet	173,686	694	(338)	82	4,146	178,270
Phone	379,434	4,253	1,509	1,779	685	387,660
Total Business	630,619	8,902	(509)	(7,828)	8,260	639,444
Total Wireline	5,491,661	(57,451)	(50,505)	(55,293)	(71,243)	5,257,169
Wireless – Postpaid	1,313,828	66,865	54,289	2,236	44,957	1,482,175
Wireless – Prepaid	344,357	(8,954)	(3,230)	(7,701)	14,867	339,339
Total Wireless	1,658,185	57,911	51,059	(5,465)	59,824	1,821,514
Total Subscribers	7,149,846	460	554	(60,758)	(11,419)	7,078,683

	2019					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	1,585,232	(23,768)	(28,953)	(24,303)	(29,837)	1,478,371
Video – Satellite	750,403	(28,893)	(9,627)	3,134	(11,794)	703,223
Internet	1,876,944	5,606	11,105	6,647	11,401	1,911,703
Phone	853,847	(15,957)	(20,916)	(21,517)	(27,712)	767,745
Total Consumer	5,066,426	(63,012)	(48,391)	(36,039)	(57,942)	4,861,042
Video – Cable	49,606	(254)	(1,465)	(4,301)	(1,743)	41,843
Video – Satellite	34,831	558	830	(626)	63	35,656
Internet	172,859	1,248	(1,440)	427	592	173,686
Phone	354,912	8,649	5,836	5,368	4,669	379,434
Total Business	612,208	10,201	3,761	868	3,581	630,619
Total Wireline	5,678,634	(52,811)	(44,630)	(35,171)	(54,361)	5,491,661
Wireless – Postpaid [1]	1,029,720	86,067	64,670	61,279	75,913	1,313,828
Wireless – Prepaid [1]	373,138	(20,452)	(16,887)	820	14,831	344,357
Total Wireless	1,402,858	65,615	47,783	62,099	90,744	1,658,185
Total Subscribers	7,081,492	12,804	3,153	26,928	36,383	7,149,846

[1] The Company reduced the August 31, 2019 ending balance by 10,914 due to account cancellations dating back to 2016 previously not reported. The cancellations consisted of 3,821 postpaid and 7,093 prepaid subscribers. In the Company's view, the cancellations were not significant in relation to previously reported amounts.

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2020 CONSOLIDATED RESULTS

(millions of Canadian dollars except per share amounts)	2020 [1]	2019	2018	Change 2020 %	Change 2019 %
Operations:					
Revenue	**5,407**	5,340	5,189	1.3	2.9
Adjusted EBITDA [2]	**2,391**	2,154	2,057	11.0	4.7
Adjusted EBITDA margin [2]	**44.2%**	40.3%	39.6%	9.7	1.8
Funds flow from continuing operations [3]	**1,989**	1,777	1,177	11.9	51.0
Net income from continuing operations	**688**	733	39	(6.1)	>100.0
Income (loss) from discontinued operations, net of tax	–	–	(6)	–	(100.0)
Net income	**688**	733	33	(6.1)	>100.0
Free cash flow [2]	**747**	538	385	38.8	39.7
Balance sheet:					
Total assets	**16,165**	15,646	14,431		
Long-term financial liabilities					
Long-term debt (including current portion)	**4,548**	5,308	4,311		
Other financial liabilities	–	–	–		
Per share data:					
Basic and diluted earnings per share					
Continuing operations	**1.32**	1.41	0.06		
Discontinued operations	–	–	(0.01)		
	1.32	1.41	0.05		
Weighted average number of participating shares outstanding during period (millions)	**515**	511	502		
Cash dividends declared per share					
Class A	**1.1825**	1.1825	1.1825		
Class B	**1.1850**	1.1850	1.1850		

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions below and under "Segmented Operations Review."

(2) Adjusted EBITDA, adjusted EBITDA margin and free cash flow are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures, including how we calculate them.

(3) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Revenue and Adjusted EBITDA

Fiscal 2020 consolidated results were resilient and in line with guidance despite significant uncertainty arising from the COVID-19 pandemic and commodity price challenges. Adjusted EBITDA of $2,391 million in fiscal 2020 increased 11.0% over fiscal 2019. Removing the $158 million impact from IFRS 16 in the year, adjusted EBITDA increased approximately 3.7%. For further discussion of divisional performance see "Segmented Operations Review."

Consolidated revenue of $5.41 billion for fiscal 2020 improved 1.3% over $5.34 billion for fiscal 2019. Revenue improved primarily due to the Wireless division contributing revenues of $1,166 million in fiscal 2020 as compared to $1,047 million in the prior year. The year-over-year improvement in Wireless revenue of $119 million, or 11.4%, reflects higher service revenues of $121 million driven primarily by added postpaid RGUs, higher ARPU, and higher ABPU partially offset by lower equipment revenues of $2 million, reflecting the impact of COVID-19 on consumer activity in the second half of fiscal 2020. Wireline division revenue was down $50 million, or 1.2%. Business division revenues increased $10 million, or 1.8%, and reflect the impacts from COVID-19 on the small and medium sized business market in the second half of the year while

Consumer division revenues decreased $60 million, or 1.6%, compared to fiscal 2019 as contributions from rate adjustments and growth in Internet revenue were offset by declines in Video, Satellite, and Phone subscribers and revenue.

Adjusted EBITDA of $2.39 billion for the twelve-month period improved 11.0% compared to $2.15 billion for fiscal 2019. The improvement was primarily due to the Wireless division contributing $337 million over the twelve-month period as compared to $199 million in fiscal 2019 while the Wireline division contributed $2,054 million over the twelve-month period as compared to $1,955 million in fiscal 2019. The Wireless increase of $138 million, or 69.3%, over the comparable period reflects an increase in underlying performance of $62 million, or 31.2%, and an increase of $76 million, or 38.2%, relating to the impact of the adoption of IFRS 16. The increase in underlying performance was driven primarily by subscriber and ARPU growth. Wireline adjusted EBITDA of $2,054 million for fiscal 2020 increased 5.1%, or approximately 0.9% after removing the $82 million impact from the adoption of IFRS 16, resulting in a Wireline operating margin of 46.4%, an improvement of 90-basis points over fiscal 2019 (on pre-IFRS 16 basis). The increase also reflects the impact of the $10 million provision related primarily to the CRTC decision to reduce wholesale broadband rates available to third party Internet providers from 2016 onwards and the impact of a $15 million payment to address certain IP licensing matters, both recorded in fiscal 2019.

Restructuring costs

Restructuring costs generally include severance, employee related costs and other costs directly associated with a restructuring program. During the third quarter of fiscal 2020, the Company restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. In connection with the restructuring, the Company recorded costs of $14 million, primarily related to severance and employee related costs.

Amortization

(millions of Canadian dollars)	2020	2019	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**16**	21	(23.8)
Deferred equipment costs	**(65)**	(85)	(23.5)
Property, plant and equipment, intangibles and other [(1)]	**(1,168)**	(974)	19.9

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussion below.

Amortization of property, plant and equipment, intangibles and other increased 19.9% for the year ended August 31, 2020. The increase in amortization reflects the impact of the adoption of IFRS 16 which resulted in an additional $141 million in amortization related to the newly recognized right-of-use assets as well as the amortization of new expenditures exceeding the amortization of assets that became fully amortized during the period.

Amortization of financing costs and interest expense

(millions of Canadian dollars)	2020	2019	Change %
Amortization of financing costs – long-term debt	**3**	3	–
Interest expense [(1)]	**274**	258	6.2

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussion below.

Interest expense for the year ended August 31, 2020 increased over the comparable period and reflects the impact of the adoption of IFRS 16, which resulted in an additional $44 million in interest expense related to lease liabilities, partially offset by the lower average outstanding debt balances and interest rates in fiscal 2020 in comparison to fiscal 2019.

Other income and expenses

(millions of Canadian dollars)	2020	2019	Increase / (decrease)
Equity income of an associate or joint venture	–	46	(46)
Loss on disposal of an associate or joint venture	–	(109)	109
Other gains (losses)	**(16)**	50	(66)
	(16)	(13)	(3)

On May 31, 2019, the Company sold all of its 80,630,383 Corus Class B non-voting participating shares at a price of $6.80 per share. Proceeds, net of transaction costs, were $526 million, which resulted in a loss of $109 million for fiscal 2019. In fiscal 2019, the Company also recorded equity income of $46 million related to its investment in Corus. As the Company no longer had an equity investment in Corus for fiscal 2020, there was no income or loss recorded.

Other gains (losses) generally include realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In fiscal 2020, the category includes a net $2 million loss related to the disposal of property, plant and equipment and a $17 million debt redemption penalty related to the early redemption of $800 million in senior notes in December 2019 partially offset by a $6 million insurance claim recovery. In the prior year, the category includes a net $32 million gain on the disposal of property, plant and equipment, a $6 million gain on the disposal of a non-core business, as well as a $15 million gain on the disposal of a minor portfolio investment.

Earnings per share

(millions of Canadian dollars except per share amounts)	2020	2019	Change %
Net income [1]	**688**	733	(6.1)
Weighted average number of participating shares outstanding during period (millions)	**515**	511	
Earnings per share			
Basic and diluted	**1.32**	1.41	

[1] Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

Net income

Net income was $688 million in 2020 compared to $733 million in 2019. The year-over-year changes are summarized in the table below.[1]

(millions of Canadian dollars)	
Increased adjusted EBITDA [1][2]	**237**
Increased restructuring costs	**(23)**
Increased amortization [1]	**(179)**
Increased interest expense [1]	**(16)**
Decreased equity income of an associate or joint venture	**(46)**
Change in other net costs and revenue [3]	**43**
Increased income taxes	**(61)**
	(45)

[1] Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

[2] Adjusted EBITDA is a non-GAAP measure and should not be considered a substitute or alternative for GAAP measures. This is not a defined term under IFRS and does not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about this measure, including how we calculate it.

[3] Net other costs and revenue include gains and losses on disposals of fixed assets and intangibles, accretion of long-term liabilities and provisions, debt retirement costs, realized and unrealized foreign exchange differences and other losses as detailed in the Consolidated Statements of Income.

Net other costs and revenues had a $45 million favourable impact on net income primarily due to the impact of a $109 million loss related to the Company's disposal of its investment in Corus Class B non-voting participating shares recorded in the prior year, partially offset by a $15 million gain on the disposal of a minor portfolio investment and a $32 million net gain on the disposal of fixed assets and intangibles in the prior year and a $17 million debt redemption penalty in fiscal 2020.

SEGMENTED OPERATIONS REVIEW

WIRELINE

(millions of Canadian dollars)	2020[1]	2019	Change %
Consumer	**3,683**	3,743	(1.6)
Business	**567**	557	1.8
Wireline revenue	**4,250**	4,300	(1.2)
Adjusted EBITDA [2]	**2,054**	1,955	5.1
Adjusted EBITDA margin [2]	**48.3%**	45.5%	6.2

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" and discussion below.

(2) Adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures, including how we calculate them.

Wireline RGUs decreased by 234,492 in the current fiscal year, compared to net losses of 186,973 RGUs in fiscal 2019. Total Business RGU gains of 8,825 were more than fully offset by total Consumer RGU losses of 243,317 in the year which included net losses in cable Video of 87,851, Phone of 95,135, satellite Video of 52,496, and Internet of 7,835.

Consumer revenue for the year of $3.7 billion decreased 1.6% compared to the prior year as growth in Internet revenues were more than fully offset by declines in mature products, including Video, Satellite, and Phone subscribers and revenues. Business revenue for the year of $567 million was 1.8% higher over the prior year with the modest growth reflecting the impacts from COVID-19 on the small and medium sized business market in the second half of fiscal 2020.

Adjusted EBITDA of $2.1 billion increased 5.1% over the comparable period and reflects an increase of $82 million, or 4.2%, relating to the impact of the adoption of IFRS 16 while the underlying performance increased approximately 0.9%, resulting in a Wireline operating margin of 46.4%, an improvement of 90-basis points over fiscal 2019 (on a pre-IFRS 16 basis).

WIRELESS

(millions of Canadian dollars)	2020[1]	2019	Change %
Service	**815**	694	17.4
Equipment and other	**351**	353	(0.6)
Wireless revenue	**1,166**	1,047	11.4
Adjusted EBITDA [2]	**337**	199	69.3
Adjusted EBITDA margin [2]	**28.9%**	19.0%	52.1

(1) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" and discussion below.

(2) Adjusted EBITDA and adjusted EBITDA margin are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures, including how we calculate them.

In Wireless, the Company gained 163,329 net postpaid and prepaid subscribers in the year, consisting of 168,347 postpaid additions offset by 5,018 prepaid losses. The increase in the customer base reflects continued customer demand for the Big Gig data-centric pricing and packaging options, including Absolute Zero, as well as the launch of Shaw Mobile in British Columbia and Alberta on July 30, 2020.

Wireless revenue for the year of $1,166 million increased $119 million, or 11.4%, over the prior year. The increase in revenue was driven primarily by year-over-year growth in service revenue while equipment revenue was essentially flat as a result of a decrease in subscriber activity relating to the temporary closure of a number of retail locations amid the COVID-19 pandemic in the second half of fiscal 2020. The increase in service revenue was driven by RGU, ABPU, and ARPU growth in which a net 168,347 postpaid subscribers were added, representing a 12.8% increase, while ABPU of $44.13 and ARPU of $38.95 in fiscal 2020 compared to $41.67 and $37.92, respectively, in the prior year.

Adjusted EBITDA for the year of $337 million increased $138 million, or 69.3%, over the prior year and reflects an increase in underlying performance of $62 million, or 31.2%, and an increase of $76 million, or 38.2%, relating to the impact of the adoption of IFRS 16. The increase in underlying performance is driven primarily by subscriber and ARPU growth.

Capital Expenditures and Equipment Costs

(millions of Canadian dollars)	Year ended August 31, 2020	2019	Change %
Wireline			
New housing development	**120**	138	(13.0)
Success based	**243**	256	(5.1)
Upgrades and enhancements	**331**	346	(4.3)
Replacement	**26**	28	(7.1)
Buildings and other	**95**	59	61.0
Total as per Note 26 to the audited annual consolidated financial statements	**815**	827	(1.5)
Wireless			
Total as per Note 26 to the audited annual consolidated financial statements	**296**	385	(23.1)
Consolidated total as per Note 26 to the audited annual consolidated financial statements	**1,111**	1,212	(8.3)

Capital investment was $1,111 million in fiscal 2020 compared to $1,212 million in fiscal 2019. The decrease was driven primarily by a decrease in the Wireless division as a result of lower planned capital expenditures in the year due to increased investments related to market expansion in the prior year while Wireline investment decreased primarily due to lower system network infrastructure spending.

Wireline

Success-based capital for fiscal 2020 of $243 million was $13 million lower than fiscal 2019. The current year decrease in success-based capital was due primarily to lower equipment purchases in the year and an increase in customer self-installs.

Capital spend on the combined upgrades and enhancement, and replacement categories was $357 million for the year, a $17 million decrease over fiscal 2019 driven primarily by lower planned Wireline spend on system network infrastructure.

Capital spend on new housing development of $120 million in the year was $18 million lower than the prior fiscal year, driven by a decrease in residential and commercial customer network growth and acquisition.

Investment in buildings and other of $95 million in fiscal 2020 increased $36 million over fiscal 2019 primarily related to higher corporate related costs in the period as well as the impact of proceeds on disposal of corporate assets received in the comparable period.

Wireless

Capital investment of $296 million in fiscal 2020 decreased $89 million compared to fiscal 2019, primarily due to the planned decrease in Wireless spending in the year as a result of lower costs relating to the continued deployment of 700 MHz spectrum. In fiscal 2020, the Company continued its investment in its wireless network and infrastructure, specifically in the deployment of 600 MHz spectrum and development of 5G capabilities. Enhancements to the back-office systems including the billing system and digital transformation continued along with an increased spend in the area of retail due primarily to the launch of Shaw Mobile.

FINANCIAL POSITION

Effective September 1, 2019, the Company adopted IFRS 16 and IFRIC 23 and has not restated comparatives for fiscal 2019. For the purposes of this analysis, the Company will therefore use September 1, 2019 figures for comparative purposes. See "New Accounting Standards" for more information.

Total assets were $16.2 billion at August 31, 2020, compared to $17.0 billion at September 1, 2019. The following is a discussion of significant changes in the Consolidated Statements of Financial Position since September 1, 2019.

Current assets decreased $700 million primarily due to decreases in cash of $683 million, accounts receivable of $19 million, and inventories of $26 million. These decreases were partially offset by an increase in current portion of contract assets of $26 million and other current assets of $2 million. Cash decreased primarily due to the repayment of $2.05 billion of senior notes offset by the issuance of senior notes totaling $1.30 billion and other financing activities as well as cash outlays for investing activities partially offset by funds flow from continuing operations. Refer to "Liquidity and Capital Resources" for more information.

The current portion of contract assets increased during the year mainly due to the prior year increase in Wireless subscribers participating in the Company's discretionary wireless handset discount program. Under IFRS 15, the portion of this discount relating to the handset is applied against equipment revenue at the point in time that the handset is transferred to the customer while the portion relating to service revenue is recorded as a contract asset and amortized over the life of the contract against future service revenues.

Property, plant and equipment decreased $79 million as the amortization of capital and right-of-use assets exceeded the capital investments and additions to right-of-use assets in the year.

Contract assets decreased $12 million during the year mainly due to a decrease in Wireless subscribers participating in the Company's discretionary wireless handset discount program in the second half of fiscal 2020 primarily due to lower activity associated with the temporary closure of a significant number of retail stores in response to the COVID-19 pandemic.

Current liabilities decreased $1.24 billion during the year primarily due to a decrease in the current portion of long-term debt of $1.25 billion due to the repayment of senior notes in October 2019, a decrease in accounts payable and accrued liabilities of $16 million, a decrease in current provisions of $118 million, a decrease in income taxes payable of $14 million and a $12 million decrease in the current portion of contract liabilities. This was partially offset by an increase in short-term borrowings of $160 million.

Accounts payable and accruals decreased due to the timing of payment and fluctuations in various payables including capital expenditures, interest, and programming costs. The decrease in current provisions was mainly due to the payment of restructuring costs of $130 million related to the TBT in fiscal 2020.

Short-term borrowings increased due to the draw of an additional $160 million under the Company's accounts receivable securitization program.

Long-term debt increased $490 million primarily due to the issuance of senior notes totaling $1.3 billion, partially offset by the early redemption of other senior notes totaling $800 million.

Shareholders' equity decreased $30 million mainly due to a decrease in retained earnings. Retained earnings decreased as the current period income of $688 million was more than fully offset by dividends of $617 million and shares repurchased under the NCIB program of $91 million. Share capital decreased $3 million due to the impact of 5,614,672 shares repurchased under the terms of the Company's NCIB program which was partially offset by the issuance of 1,857,734 Class B Non-Voting Shares under the Company's stock option plan and Dividend Reinvestment Plan (DRIP). Accumulated other comprehensive loss increased $5 million.

As at October 15, 2020, share capital is as reported at August 31, 2020 with the exception of the issuance of a total 14,250 Class B Non-Voting Shares upon exercise of options under the Company's option plan.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2020	2019	Change %
Funds flow from continuing operations	**1,989**	1,777	11.9
Net change in non-cash working capital balances related to continuing operations	**(69)**	(209)	(67.0)
	1,920	1,568	22.4

Funds flow from operations in fiscal 2020 increased over the comparable period primarily due to an increase in the funds flow from operations which reflects the impact of the adoption of IFRS 16 where payments related to lease liabilities are reflected under financing activities for the period and an increase in the net change in non-cash balances related to operations. The net change in non-cash balances related to operations fluctuated over the comparative period due to changes in accounts receivable, inventory, and other current asset balances, and the timing of payment of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2020	2019	Increase
Cash flow used in investing activities	**(1,154)**	(1,133)	21

In fiscal 2020, cash used in investing activities increased over the comparable period primarily due to proceeds of $551 million received from the sale of our investment in Corus and other investments and $90 million in proceeds generated from the disposal of a non-core business and property, plant and equipment all in the prior year partially offset by lower outlays for capital expenditures in the year as compared to the prior year and a $492 million decrease year-over-year in spectrum purchases.

Financing activities

The changes in financing activities during 2020 and 2019 were as follows:

(millions of Canadian dollars)	2020	2019
Increase in short-term borrowings	**160**	–
Issuance of long-term debt	**1,300**	1,000
Repayment of long-term debt	**(2,068)**	–
Bank facility and long-term debt costs	**(14)**	(9)
Payment of lease liabilities	**(112)**	–
Issuance of Class B Non-Voting Shares	**9**	35
Purchase of Class B Non-Voting Shares	**(140)**	–
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(573)**	(389)
Dividends paid on Preferred Shares	**(9)**	(9)
Payment of distributions to non-controlling interests	**(2)**	–
Other	–	(1)
	(1,449)	627

The increase in the payment of lease liabilities in fiscal 2020 reflects the impact of the adoption of IFRS 16 in the current year with these outflows reflected in operating activities in fiscal 2019. See "New Accounting Standards" for further detail.

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 2020, the Company generated $747 million of free cash flow. Shaw used its free cash flow along with cash of $763 million, $1,286 million net proceeds from senior note issuances, $160 million net proceeds from its accounts receivable securitization program, and proceeds from the issuance of Class B Non-Voting Shares of $9 million to fund the net working capital change of $34 million, pay common share dividends of $573 million, repay at maturity $1.25 billion 5.65% senior notes, repurchase $140 million of Class B Non-Voting Shares under the Company's NCIB program, and pay $143 million for amounts related to restructuring costs.

The Company issued Class B Non-Voting Shares from treasury under its DRIP which resulted in cash savings and incremental Class B Non-Voting Shares of $37 million during fiscal 2020.

Debt structure and financial policy

Shaw structures its borrowings generally on an unsecured and standalone basis. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

The Company issued Class B Non-Voting Shares from treasury under its DRIP and incremental Class B Non-Voting Shares of $37 million during the year ended August 31, 2020. On October 25, 2019, and in accordance with the terms of its DRIP, the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP were first applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

The Company has an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at August 31, 2020, the proceeds of the sales were committed up to a maximum of $200 million (with $200 million drawn under the program as at August 31, 2020). The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables remain recognized on the Company's Consolidated Statements of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of our other assets.

As at August 31, 2020, the net debt leverage ratio for the Company was 2.3x. Considering the prevailing competitive, operational and capital market conditions, the Board of Directors has determined that having this ratio in the range of 2.5x to 3.0x would be optimal leverage for the Company in the current environment. This target was updated from 2.0x to 2.5x in November 2019 based on the impact of IFRS 16. Should the ratio fall below this, other than on a temporary basis, the Board may choose to recapitalize back into this optimal range. The Board may also determine to increase the Company's debt above these levels to finance specific strategic opportunities such as a significant acquisition or repurchase of Class B Non-Voting Shares in the event that pricing levels were to drop precipitously.

The Company calculates net debt leverage ratio as follows [1]:

(millions of Canadian dollars)	2020	2019
Short-term borrowings	**200**	40
Current portion of long-term debt	**1**	1,251
Current Portion of Lease Liabilities	**113**	–
Long-term debt	**4,547**	4,057
Lease Liabilities	**1,157**	–
50% of outstanding preferred shares	**147**	147
Cash	**(763)**	(1,446)
(A) Net debt [2]	**5,402**	4,049
Adjusted EBITDA [2][3]	**2,391**	2,154
Corus dividends	**–**	10
(B) Adjusted EBITDA [2][3] including Corus dividends	**2,391**	2,164
(A/B) Net debt leverage ratio [2][3]	**2.3x**	1.9x

(1) The following contains a description of the Company's use of non-GAAP financial measures, provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

(2) Net debt, adjusted EBITDA, and net debt leverage ratio are non-GAAP measures and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have a standard meaning, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for information about these measures.

(3) Fiscal 2020 figures reflect the impact of the adoption and application of IFRS 16 while Fiscal 2019 figures do not and are not comparable. See "New Accounting Standards" as well as discussions under "Results of Operations" and "Segmented Operations Review."

On October 29, 2019, the Company announced that it had received approval from the TSX to establish a NCIB program. The NCIB program commenced on November 1, 2019 and remains in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to

24,758,127 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares as at October 18, 2019.

During the year ended August 31, 2020, the Company purchased 5,614,672 Class B Non-Voting Shares for cancellation for a total cost of approximately $140 million under the NCIB program. The Company suspended share repurchases under its NCIB program in April 2020.

On October 1, 2019, the Company repaid the $1.25 billion of 5.65% senior notes at maturity with cash on hand.

On December 9, 2019, the Company issued $800 million of senior notes, consisting of $500 million principal amount of 3.30% senior notes due 2029 and $300 million principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792 million, along with cash on hand, were used to fund the redemption of the $500 million principal amount of 5.50% senior notes due 2020 and the $300 million principal amount of 3.15% senior notes due 2021 as noted below.

On December 12, 2019, the Company drew an additional $80 million under its accounts receivable securitization program, bringing the total amount drawn under the program to $200 million. The program is now fully drawn.

On December 24, 2019, the Company redeemed the $500 million principal amount of 5.50% senior notes due December 7, 2020 and the $300 million principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 million and accrued interest of $5 million. The Company has no senior note maturities until November 2023.

On April 22, 2020, the Company issued $500 million principal amount of 2.90% senior notes due December 9, 2030.

Shaw's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios. At August 31, 2020, Shaw is in compliance with these covenants and, based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings.

	Covenant as at August 31, 2020	Covenant Limit
Shaw Credit Facilities		
Total Debt to Operating Cash Flow [1] Ratio	1.82:1	< 5.00:1
Operating Cash Flow [1] to Fixed Charges [2] Ratio	9.84:1	> 2.00:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization, restructuring, and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, less payments made with regards to lease liabilities for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense, excluding the interest related to lease liabilities, for the most recently completed fiscal quarter multiplied by four.

Subsequent to year-end, on October 29, 2020, the Company's Board of Directors approved the renewal of the NCIB program to purchase up to 24,532,404 Class B Non-Voting Shares, representing 5% of all of the issued and outstanding Class B Non-Voting Shares as of October 22, 2020. The NCIB program remains subject to approval by the TSX and, if accepted, will be conducted in accordance with the applicable rules and policies of the TSX and applicable Canadian securities law.

Preferred Share Dividends

On June 30, 2016, 1,987,607 of the Company's Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") were converted into an equal number of Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares") in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company has 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. The Series A Shares will continue to be listed on the TSX under the symbol SJR.PR.A. The Series B Shares began trading on the TSX on June 30, 2016 under the symbol SJR.PR.B. The annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five-year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rates for the Series B Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%
December 31, 2019 to March 30, 2020	3.652%
March 31, 2020 to June 29, 2020	3.638%
June 30, 2020 to September 29, 2020	2.255%
September 30, 2020 to December 30, 2020	2.149%

The floating quarterly dividend rate will be reset quarterly.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations and obligations, including maturing debt, during the upcoming fiscal year. On a longer-term basis, Shaw expects to generate free cash flow and have borrowing capacity sufficient to finance foreseeable future business plans and refinance maturing debt.

Off-balance sheet arrangement and guarantees

Guarantees

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 27 to the Consolidated Financial Statements. As disclosed therein, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2020 are detailed in the following table.

		Payments due by period			
(millions of Canadian dollars)	Total	Within 1 year	2 – 3 years	4 – 5 years	More than 5 years
Short-term borrowings	200	200	–	–	–
Long-term debt [1]	7,549	219	938	910	5,482
Lease liabilities	1,631	154	288	273	916
Purchase obligations [2]	1,158	501	311	232	114
Property, plant and equipment	217	184	30	3	–
	10,755	1,258	1,567	1,418	6,512

(1) Includes principal repayments and interest payments.
(2) Includes contractual obligations under service, product, and wireless device contracts, program related agreements and exclusive rights to use intellectual property in Canada.

Share Capital and Listings

The Company is authorized to issue a limited number of Class A Shares; an unlimited number of Class B Non-Voting Shares; an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated the Series A Shares and 12,000,000 were designated the Series B Shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

As at October 15, 2020, there are 22,372,064 Class A Shares, 490,647,083 Class B Non-Voting Shares, 10,012,393 Series A Shares, and 1,987,607 Series B Shares issued and outstanding. There were also 7,212,880 options to purchase Class B Non-Voting Shares and 14,281 RSUs that will settle in Class B Non-Voting Shares issued from treasury outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Trading Symbols: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). For more information, please visit www.shaw.ca.

The following table sets forth, for each month during the fiscal year ending August 31, 2020, the monthly price range and volume traded for the Class A Shares on the TSX Venture Exchange (TSXV) and for the Class B Non-Voting Shares, Series A Shares, and Series B Shares on the TSX.

	Class A Shares[1] TSX Venture-SJR.A			Class B Non-Voting Shares[1] TSX-SJR.B			Series A Shares[1] TSX-SJR.PR.A			Series B Shares[1] TSX-SJR.PR.B		
	High	Low	Volume	High	Low	Volume	High	Low	Volume	High	Low	Volume
Sep 2019	27.25	26.25	6,172	26.92	25.24	17,860,072	13.40	12.81	134,343	13.74	12.99	47,020
Oct 2019	27.84	25.90	3,002	26.98	24.68	23,287,051	13.21	12.60	127,065	13.51	12.96	46,482
Nov 2019	28.33	27.53	3,378	27.69	26.47	28,062,196	13.68	12.95	103,121	13.75	13.10	70,077
Dec 2019	30.92	26.21	6,842	27.51	26.23	20,287,578	14.34	13.27	77,152	14.38	13.49	48,892
Jan 2020	27.50	26.11	11,938	26.90	25.74	26,392,854	14.87	13.60	124,485	14.61	14.00	33,774
Feb 2020	29.99	23.51	18,237	26.64	23.07	24,293,776	13.99	12.93	47,960	14.42	13.50	15,249
Mar 2020	26.74	18.23	14,615	24.37	17.77	64,180,416	13.07	8.50	155,840	13.49	9.00	30,737
Apr 2020	26.80	21.90	20,981	24.00	21.70	27,615,497	12.01	10.10	156,256	11.80	9.58	33,586
May 2020	24.95	22.25	2,828	23.42	21.39	38,574,933	11.98	10.50	61,615	12.18	10.83	29,614
Jun 2020	25.35	22.75	15,482	24.42	21.85	25,841,412	11.60	10.99	72,115	11.66	10.24	25,452
Jul 2020	24.99	22.27	6,361	24.75	21.78	24,012,477	12.24	10.65	322,645	11.80	10.50	8,792
Aug 2020	26.50	25.16	4,267	25.48	24.36	18,258,103	12.48	11.64	231,439	12.00	11.31	168,675

(1) Trading price and volume data is obtained from the TMX group

Share Splits

There have been four splits of the Company's Class A and Class B Non-Voting Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2020 Annual Information Form, can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange (NYSE) corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investor Relations, Corporate Governance, Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Executive Chair & Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting (ICFR).

As at August 31, 2020, the Company's management, together with its Executive Chair & Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and ICFR. Based on these evaluations, the Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have concluded that the Company's disclosure controls and procedures and the Company's ICFR are effective.

Other than the items described below, there have been no changes in the Company's ICFR during the fiscal year that have materially affected, or are reasonably likely to materially affect, Shaw's ICFR.

On September 1, 2019, the Company adopted IFRS 16 *Leases* and implemented a new lease accounting system that enabled it to comply with the IFRS 16 requirements. As a result, certain additions and modifications have been made to the Company's ICFR. Notably, the Company has:

- updated its policies and procedures related to leases; and
- implemented controls surrounding the recently implemented lease accounting system to ensure the inputs, processes and outputs are accurate

The design of any system of controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

Contents

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

October 30, 2020

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Shaw Communications Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB")" on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2020.

[Signed]

Brad Shaw
Executive Chair & Chief Executive Officer

[Signed]

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Shaw Communications Inc. (the "Company") as of August 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Adoption of IFRS 16

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for leases in 2020 due to the adoption of *IFRS 16 – Leases.*

Report on internal control over financial reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of August 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission framework (2013) and our report dated October 30, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matters or on the accounts or disclosures to which it relates.

Key Audit Matter	***Valuation of the Wireless cash generating unit's indefinite-life intangibles***
Description of the Matter	As more fully described in Note 9 to the consolidated financial statements, the Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2020 and the recoverable amount of the cash generating units exceeds their carrying value. Management performed an assessment of indicators of impairment as at August 31, 2020. Auditing management's impairment test is complex and judgmental due to the estimation required in determining the recoverable amount of the cash generating units. The recoverable amount was estimated using a discounted cash flow and is sensitive to assumptions such as revenue growth rate, earnings growth rate, earnings before interest, tax and amortization margin, terminal operating discount rate, terminal growth rate and terminal operating income before restructuring costs and amortization multiple.
How We Addressed the Matter in Our Audit	We obtained an understanding of management's process for performing their impairment assessment. We evaluated the design and tested the operating effectiveness of controls over the Company's processes to determine the recoverable amount. For example, we tested controls over the Company's strategic planning process as well as controls over the review of the significant assumptions in estimating the recoverable amount of the cash generating units. To test the estimated recoverable amount of the goodwill and indefinite-life intangible assets, our audit procedures included, among others, assessing the methodology used and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We also involved an EY valuation specialist to assist us. We compared the significant assumptions used by management to historical and current trends. We audited the forecasted revenue by evaluating future subscriber growth, expected customer churn, and average rate per subscriber unit. We assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate changes in the recoverable amount of the cash generating units that would result from changes in the assumptions. We obtained management's assessment of indicators of impairment as at August 31, 2020 and evaluated management's assessment through review of actual results and the updated revenue forecast. We assessed the adequacy of the Company's disclosure in the consolidated financial statements.
Key Audit Matter	***Adoption of International Financial Reporting Standard 16 – Leases***
Description of the Matter	As more fully described in Note 2 to the consolidated financial statements, the Company's adoption of International Financial Reporting Standard 16 – Leases (IFRS 16), resulted in a transition adjustment as at September 1, 2019 to the opening balance sheet of $1,322 million increasing both property, plant and equipment and lease liabilities. The Company leases a significant number of assets which were previously classified as operating leases under IAS 17 Leases and held off balance sheet. Ensuring that all the leases subject to IFRS 16 are appropriately recorded in the consolidated financial statements is complex, primarily due to the large number of leases held by the Company. There is a risk that the lease data is incomplete or inaccurate. The application of IFRS 16 requires judgement in determining the lease term, including whether or not to exercise a renewal or termination option. The lease liability in each case needs to be discounted using an appropriate rate, the determination of which requires management judgement.
How We Addressed the Matter in Our Audit	We tested controls that address the risk of material misstatement related to the measurement of the transitional adjustment. For example, we tested controls over management's review of contract terms, including whether to exercise a renewal or termination option, and determining the discount rate used for discounting future cash flows. We also tested controls over management's procedures to ensure completeness of the population of contracts. We tested completeness of the lease data by reconciling to the Company's operating lease commitments as reported in the prior year's financial statements and reconciling to cash outflows during the year. We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment, including the application of an appropriate discount rate. We tested management's determination of the lease terms through review of historical practices and review of management's future plans. Our EY valuation specialist assisted us to review management's methodology and the application of the discount rate by evaluating the inputs through the use of market data.

Ernst + Young LLP

Chartered Professional Accountants

We have served as the Company's auditor since 1966.

Calgary, Canada
October 30, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Shaw Communications Inc.'s internal control over financial reporting as of August 31, 2020, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, Shaw Communications Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of August 31, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial position as at August 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes and our report dated October 30, 2020 expressed an unqualified opinion thereon.

Basis of Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst & Young LLP

Chartered Professional Accountants
Calgary, Canada

October 30, 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)	August 31, 2020	August 31, 2019
ASSETS		
Current		
Cash	**763**	1,446
Accounts receivable (note 3)	**268**	287
Inventories (note 4)	**60**	86
Other current assets (note 5)	**277**	291
Current portion of contract assets (note 22)	**132**	106
	1,500	2,216
Investments and other assets (notes 6 and 30)	**42**	37
Property, plant and equipment (note 7 and 14)	**6,142**	4,883
Other long-term assets (note 8)	**163**	195
Deferred income tax assets (note 25)	**1**	4
Intangibles (note 9)	**7,997**	7,979
Goodwill (note 9)	**280**	280
Contract assets (note 22)	**40**	52
	16,165	15,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings (note 10)	**200**	40
Accounts payable and accrued liabilities (note 11)	**999**	1,015
Provisions (note 12)	**101**	224
Income taxes payable	**57**	82
Current portion of contract liabilities (note 22)	**211**	223
Current portion of long-term debt (notes 13 and 30)	**1**	1,251
Current portion of lease liabilities (notes 2 and 14)	**113**	–
Current portion of derivatives	**6**	–
	1,688	2,835
Long-term debt (notes 13 and 30)	**4,547**	4,057
Lease liabilities (notes 2 and 14)	**1,157**	–
Other long-term liabilities (notes 15 and 28)	**72**	75
Provisions (note 12)	**80**	79
Deferred credits (note 16)	**406**	425
Contract liabilities (note 22)	**14**	15
Deferred income tax liabilities (note 25)	**1,968**	1,875
	9,932	9,361
Commitments and contingencies (notes 12, 27 and 28)		
Shareholders' equity		
Common and preferred shareholders	**6,233**	6,282
Non-controlling interests in subsidiaries	**–**	3
	6,233	6,285
	16,165	15,646

See accompanying notes

On behalf of the Board:

[Signed]
Brad Shaw
Director

[Signed]
Michael O'Brien
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31, (millions of Canadian dollars except per share amounts)	2020 $	2019 $
Revenue (notes 22 and 26)	**5,407**	5,340
Operating, general and administrative expenses (note 23)	**(3,016)**	(3,186)
Restructuring costs (notes 12 and 23)	**(14)**	9
Amortization:		
Deferred equipment revenue (note 16)	**16**	21
Deferred equipment costs (note 8)	**(65)**	(85)
Property, plant and equipment, intangibles and other (notes 7, 9, and 14)	**(1,168)**	(974)
Operating income	**1,160**	1,125
Amortization of financing costs – long-term debt (note 13)	**(3)**	(3)
Interest expense (notes 13, 14, and 26)	**(274)**	(258)
Equity income of an associate or joint venture (note 6)	**–**	46
Loss on disposal of an associate or joint venture (note 6)	**–**	(109)
Other (losses) gains (note 24)	**(16)**	50
Income before income taxes	**867**	851
Current income tax expense (note 25)	**120**	114
Deferred income tax expense (note 25)	**59**	4
Net income	**688**	733
Net income attributable to:		
Equity shareholders	**688**	731
Non-controlling interests	**–**	2
	688	733
Earnings per share (note 19)		
Basic and diluted	**1.32**	1.41

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, (millions of Canadian dollars)	2020 $	2019 $
Net income	**688**	733
Other comprehensive income (loss) (note 21)		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(4)**	2
Adjustment for hedged items recognized in the period	**(2)**	(2)
Share of other comprehensive income of associates	**–**	(13)
Reclassification of accumulated gain to income related to the sale of an associate	**–**	(3)
	(6)	(16)
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans	**1**	(39)
	(5)	(55)
Comprehensive income	**683**	678
Comprehensive income attributable to:		
Equity shareholders	**683**	676
Non-controlling interests	**–**	2
	683	678

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2020

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
September 1, 2019, as previously reported	4,605	26	1,745	(94)	6,282	3	6,285
Transition adjustments – IFRIC 23 (note 2)	–	–	(22)	–	(22)	–	(22)
Restated balance at September 1, 2019	4,605	26	1,723	(94)	6,260	3	6,263
Net income	–	–	688	–	688	–	688
Other comprehensive loss	–	–	–	(5)	(5)	–	(5)
Comprehensive income (loss)	–	–	688	(5)	683	–	683
Dividends	–	–	(580)	–	(580)	–	(580)
Dividend reinvestment plan	37	–	(37)	–	–	–	–
Distributions declared to non-controlling interest	–	–	–	–	–	(3)	(3)
Shares issued under stock option plan	9	(1)	–	–	8	–	8
Shares repurchased (note 17)	(49)	–	(91)	–	(140)	–	(140)
Share-based compensation	–	2	–	–	2	–	2
Balance as at August 31, 2020	4,602	27	1,703	(99)	6,233	–	6,233

Year ended August 31, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
Balance at September 1, 2018	4,349	27	1,632	(39)	5,969	1	5,970
Net income	–	–	731	–	731	2	733
Other comprehensive loss	–	–	–	(55)	(55)	–	(55)
Comprehensive income (loss)	–	–	731	(55)	676	2	678
Dividends	–	–	(401)	–	(401)	–	(401)
Dividend reinvestment plan	217	–	(217)	–	–	–	–
Shares issued under stock option plan	39	(4)	–	–	35	–	35
Share-based compensation	–	3	–	–	3	–	3
Balance as at August 31, 2019	4,605	26	1,745	(94)	6,282	3	6,285

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (millions of Canadian dollars)	2020 $	2019 $
OPERATING ACTIVITIES		
Funds flow from operations (note 31)	**1,989**	1,777
Net change in non-cash balances	**(69)**	(209)
	1,920	1,568
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 26)	**(970)**	(1,109)
Additions to equipment costs (net) (note 26)	**(31)**	(42)
Additions to other intangibles (note 26)	**(150)**	(147)
Proceeds on sale of non-core business	–	40
Spectrum acquisitions	–	(492)
Proceeds on sale of investments	–	551
Net additions to investments and other assets	**(5)**	7
Proceeds on disposal of property, plant and equipment (notes 26 and 31)	**2**	59
	(1,154)	(1,133)
FINANCING ACTIVITIES		
Increase in short-term borrowings (note 10)	**160**	–
Issuance of long-term debt	**1,300**	1,000
Repayment of long-term debt	**(2,068)**	–
Debt arrangement costs	**(14)**	(9)
Payment of lease liabilities	**(112)**	–
Issue of Class B Non-Voting Shares	**9**	35
Purchase of Class B Non-Voting Shares (note 17)	**(140)**	–
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(573)**	(389)
Dividends paid on Series A Preferred Shares	**(9)**	(9)
Payment of distributions to non-controlling interests	**(2)**	–
Other	–	(1)
	(1,449)	627
(Decrease) increase in cash	**(683)**	1,062
Cash, beginning of year	**1,446**	384
Cash, end of year	**763**	1,446

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in millions of Canadian dollars except share and per share amounts)

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, business and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange and New York Stock Exchange (NYSE) (Symbol: TSX – SJR.B, SJR.PR.A, SJR.PR.B, NYSE – SJR, and TSXV – SJR.A). The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2020 and 2019, were approved by the Board of Directors on October 29, 2020 and authorized for issue.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of the acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations consist of a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Investments in associates

Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the operating and financial policies of the investee, but is not control or joint control.

Investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the associate's or joint venture's net income/loss and other comprehensive income/loss after the date of investment, additional contributions made and dividends received.

The Company classified its approximate 38% participating interest in Corus Entertainment Inc. ("Corus") as an investment in an associate after considering both companies are subject to common control and the ability of the Company to appoint directors to Corus' Board of Directors. On May 31, 2019, the Company sold all of its interest in Corus.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue, customer premise equipment revenue, handset equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

The Company records revenue from contracts with customers in accordance with the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time or at a point in time. For performance obligations satisfied over time, revenue is recognized as the services are provided. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed. Revenue from Cable, Internet, Phone, Direct-to-Home (DTH) and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided.

Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (e.g. wireless handsets, voice and data services, internet services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenues, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue. The Company also offers a plan allowing customers to receive a larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or other long-term assets, as applicable, in the consolidated statement of financial position. When wireless equipment and services are bundled with wireline services, revenue is allocated across the Company's segments based on the relative stand-alone selling prices of the goods and services delivered.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

(ii) Contract assets and liabilities

We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Subscriber connection fees received from Cable, Internet, Phone and Wireless customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over two to three years. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred as contract assets and recognized as an operating expense on a straight-line basis over the same period.

(iii) Deferred commission cost assets

We defer the incremental cost to obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them as deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Direct and incremental initial selling, administrative and connection costs, including commissions related to subscriber acquisitions are deferred and recognized as an operating expense on a straight-line basis over three years.

(iv) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(v) Deferred IRU revenue

Prepayments received under indefeasible right to use (IRU) agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Securitization of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings as we do not transfer control and substantially all the risks and rewards of ownership to another entity and thus do not result in our de-recognition of the trade receivables sold.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated expected credit losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DTH receivers, which are held pending rental or sale at cost or at a subsidized price and wireless handsets, accessories and SIM cards. When subscriber DTH equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable, Wireless and telecommunications distribution system	3 – 20 years
Digital cable terminals and modems	3 – 5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3 – 15 years
Buildings	15 – 40 years
Data processing	4 – 10 years
Other	4 – 20 years

The Company reviews the estimates of useful lives on a regular basis.

Leases

The Company adopted IFRS 16 as of September 1, 2019. The company continues to apply IAS 17 in its comparative financial statements.

(i) IFRS 16

Leases are typically entered into for network infrastructure and equipment, including transponders, and land and buildings relating to the Company's wireless and wireline networks, office space and retail stores. At inception of a contract, the Company assesses whether the contract contains a lease. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability consist of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised, or periods subject to termination options that are not reasonably certain to be exercised.

The initial lease term included in the measurement of the lease liability consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

Lease liabilities are subsequently measured at amortized cost. Lease liabilities are remeasured when there is a lease modification, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The interest expense for lease liabilities is recorded in *Interest expense* in the Consolidated Statements of Income.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in *Operating, general and administrative expenses* in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company presents right-of-use assets in *Property, plant and equipment.*

If the Company obtains ownership of the leased asset by the end of the lease term or the costs of the right-of-use asset reflects the exercise of a purchase option, we depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term. Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements on the related lease liability. The depreciation charge for right-of-use assets is recorded in *Amortization – Property, plant and equipment.*

(ii) IAS 17

Operating leases - Rent expense for real estate leases that have escalating lease payments is recorded on a straight-line basis over the term of the lease. The difference between the expense recorded and the amount paid is recorded as deferred rent and included in deferred credits in the statement of financial position.

Finance leases - Leases of property and equipment that transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between interest expense and reduction of the lease liability. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iv) long-term receivables, (v) network capacity leases, (vi) the non-current portion of prepaid maintenance and support contracts, and (vii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 5% (2019 – 5%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit (CGU) is determined based on the higher of the CGU's fair value less costs to sell (FVLCS) and its value in use (VIU). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when an outflow to settle the matter is probable. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, and (iii) a deposit on a future fibre sale.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in interest expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain/(loss) recognized on the translation and settlement of current monetary assets and liabilities was $5 (2019 – $5) and is included in other gains/(losses).

Financial instruments other than derivatives

Financial instruments have been classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Cash and financial instruments have been classified as FVTPL and are recorded at fair value with any change in fair value immediately recognized in income (loss). Investments in equity securities are classified and measured at FVTPL. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial liabilities are classified as FVTPL.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the statement of financial position. The Company may elect to apply hedge accounting to certain derivative instruments. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the underlying asset or liability. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective August 31, 2020 and the next actuarial valuations for funding purposes are effective August 31, 2021.

Share-based compensation

The Company has a stock option plan for directors, officers, employees, and consultants to the Company. The exercise price of options to purchase Class B Non-Voting Participating Shares ("Class B Non-Voting Shares") is determined by the Board, or a committee thereof, at a price not less than the closing price of the Class B Non-Voting Shares on the TSX on the trading day immediately preceding the date on which the options are granted. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit (RSU) and performance share unit (PSU) plan which provides that RSUs may be granted to officers, employees and directors of the Company, and PSUs may be granted to officers and employees of the Company. RSUs vest on either the first, second and third anniversary of the grant date or 100% on the third anniversary of the grant date and compensation is recognized on a straight-line basis over the three-year vesting period. PSUs vest 100% on the third anniversary of the grant date. RSUs and PSUs will be settled in either cash or Class B Non-Voting Shares as determined by the Human Resources and Compensation Committee at the time of the grant and the obligation for RSUs and PSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs and PSUs. For PSUs, the performance criteria is set by the by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payout is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Non-Voting Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

The Company has a deferred share unit (DSU) plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Directors may elect to receive their compensation in cash, RSUs, DSUs, or a combination thereof. Any director who has not met their share ownership guidelines is generally required to elect to receive at least 50% of their annual compensation in DSUs and/or RSUs.

The Company has an employee share purchase plan (the "ESPP") under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant's contributions, increasing to 33% once an employee reaches 10 years of continuous service, and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Participating Shares ("Class A Shares") and Class B Non-Voting Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Non-Voting Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgments which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of expected credit losses on its receivables. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Contractual service revenue

The Company is required to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireline and wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the deferral criteria for the costs incurred to obtain or fulfill a contract requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

(iii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgment is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iv) Leases

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining whether a contract contains a lease, determining the contract term, including whether or not to exercise renewal or termination options, and determining the interest rate used for discounting future cash flows.

(v) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgments to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow (DCF) analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(vi) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or market approach or a VIU calculation based on a DCF analysis. Where a DCF analysis is used, significant judgments are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licences, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in Note 9. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(vii) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(viii) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws in effect or that will be in effect when the temporary differences are expected to reverse. In determining the measurement of tax uncertainties, the Company recognizes an income tax benefit only when it is probable that the tax benefit will be realized. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(ix) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under regulatory, contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgement is required in determining the Company's cash generating units (CGU) for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, and Wireless.

(ii) Broadcast rights and licences and spectrum licences – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licences (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licences issued by the Department of Innovation, Science and Economic Development. While these licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Adoption of recent accounting pronouncements

We adopted the following new accounting standards effective September 1, 2019.

- IFRS 16 Leases was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company recognizes a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low-value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  Implementation

  We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. We recognized lease liabilities at September 1, 2019 for leases previously classified as operating leases, measured at the present-value of the lease payments using our incremental borrowing rate at that date, with the corresponding right-of-use asset generally measured at an equal amount, adjusted for any prepaid or accrued rent outstanding as at August 31, 2019.

As permitted by IFRS 16, we applied certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:

- not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019; and
- use hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, we have not elected the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and lease-by-lease basis, respectively, in the future.

There was no significant impact for contracts in which we are the lessor.

- IFRIC 23 Uncertainty over Income Tax Treatments was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. It was required to be applied for annual periods commencing January 1, 2019, which for the Company was the annual period commencing September 1, 2019. The cumulative effect of the initial application of the new standard has been reflected as an adjustment to retained earnings at September 1, 2019. Refer to "Transition adjustments" below for details.

Transition adjustments

Below is the effect of transition to IFRS 16 and the adoption of IFRIC 23 on our Consolidated Statements of Financial Position as at September 1, 2019.

(millions of Canadian dollars)	As reported as at August 31, 2019	Effect of IFRS 16 transition	Effect of IFRIC 23 transition	Subsequent to transition as at September 1, 2019
ASSETS				
Current				
Cash	1,446	–	–	1,446
Accounts receivable	287	–	–	287
Inventories	86	–	–	86
Other current assets	291	(16)	–	275
Current portion of contract assets	106	–	–	106
	2,216	(16)	–	2,200
Investments and other assets	37	–	–	37
Property, plant and equipment	4,883	1,338	–	6,221
Other long-term assets	195	–	–	195
Deferred income tax assets	4	–	–	4
Intangibles	7,979	–	–	7,979
Goodwill	280	–	–	280
Contract assets	52	–	–	52
	15,646	1,322	–	16,968
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	–	–	40
Accounts payable and accrued liabilities	1,015	–	–	1,015
Provisions	224	–	(5)	219
Income taxes payable	82	–	(11)	71
Current portion of contract liabilities	223	–	–	223
Current portion of long-term debt	1,251	–	–	1,251
Current portion of lease liabilities	–	113	–	113
	2,835	113	(16)	2,932
Long-term debt	4,057	–	–	4,057
Lease Liabilities	–	1,211	–	1,211
Other long-term liabilities	75	(2)	–	73
Provisions	79	–	–	79
Deferred credits	425	–	–	425
Contract liabilities	15	–	–	15
Deferred income tax liabilities	1,875	–	38	1,913
	9,361	1,322	22	10,705
Shareholders' equity				
Common and preferred shareholders	6,282	–	(22)	6,260
Non-controlling interests in subsidiaries	3	–	–	3
	6,285	–	(22)	6,263
	15,646	1,322	–	16,968

Prior to adopting IFRS 16, our total minimum operating lease commitments as at August 31, 2019 were $919 million. The weighted average discount rate applied to the total lease liabilities was 3.50% at September 1, 2019. The difference between the total of the minimum lease payments set out in Note 27 in our 2019 Consolidated Financial Statements and the total lease liability recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at August 31, 2019;
- the effect of discounting on the minimum lease payments; and
- certain costs to which we are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

3. ACCOUNTS RECEIVABLE

	2020 $	2019 $
Subscriber and trade receivables [1]	**326**	335
Due from related parties (note 29)	**1**	–
Miscellaneous receivables	**15**	15
	342	350
Less allowance for doubtful accounts [1] (note 30)	**(74)**	(63)
	268	287

[1] In 2020 the Company removed subscriber and trade receivables and the associated allowance for doubtful accounts for certain amounts that were fully provisioned and greater than 12 months. Prior year amounts have also been adjusted to reflect this change.

Included in operating, general and administrative expenses is a provision for doubtful accounts of $60 (2019 – $40).

4. INVENTORIES

	2020 $	2019 $
Wireless devices and accessories	**40**	53
DTH subscriber equipment	**20**	33
	60	86

5. OTHER CURRENT ASSETS

	2020 $	2019 $
Prepaid expenses	**89**	108
Costs incurred to obtain or fulfill a contract with a customer	**61**	59
Wireless handset receivables	**127**	124
	277	291

6. INVESTMENTS AND OTHER ASSETS

	2020 $	2019 $
Investments in private entities	**42**	37

The Company has a portfolio of minor investments in various private entities. In the third quarter of fiscal 2019, the Company disposed of one of these investments with a book value of $10 for proceeds of $25.

Corus Entertainment Inc.

Corus is a leading media and content company that creates and delivers high quality brands and content across platforms for audiences around the world. Corus' portfolio of multimedia offerings encompasses 35 specialty television services, 39 radio stations, 15 conventional television stations, a global content business, digital assets, live events, children's book publishing, animation software, technology and media services. Corus is headquartered in Canada, and its stock is listed on the TSX under the symbol CJR.B.

In connection with the sale of the Media division to Corus in 2016, the Company received 71,364,853 Corus Class B non-voting participating shares (the "Corus Class B Shares") representing approximately 37% of Corus' total issued equity of Class A and Class B shares at that time. Although the Corus Class B Shares did not have voting rights, the Company was considered to have significant influence due to Board representation. The Company agreed to retain approximately one-third of its Corus Class B Shares for 12 months post-closing, a second one-third for 18 months post-closing, and the final one-third for 24 months post-closing, until March 31, 2018.

On May 31, 2019, the Company sold all of its 80,630,383 Corus Class B Shares at a price of $6.80 per share. Proceeds, net of transaction costs, were $526, which resulted in a loss of $109. The Company's weighted average ownership of Corus for the nine months ended May 31, 2019 was 38%. For the nine months ended August 31, 2019, the Company received dividends of $10 from Corus.

Summary financial information for Corus through the disposal date is as follows:

	Nine months ended May 31, 2019
Revenue	1,310
Net income attributable to:	
Shareholders	133
Non-controlling interest	19
	152
Other comprehensive income, attributable to shareholders	(40)
Comprehensive income	112
Equity income from associates [1]	46
Other comprehensive income from equity accounted associates [1]	(13)
	33

[1] The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the nine-month period ended May 31, 2019.

Carrying amount at August 31, 2018	615
Share of equity at disposition date	46
Share of other comprehensive loss of associate	(13)
Dividends received to disposition date	(10)
Carrying value at disposition date	**638**
Proceeds on disposal, net of transaction costs	526
Reclassification of accumulated gain from other comprehensive income related to the sale of an associate	(3)
Loss on sale of investment	**109**

7. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2020			August 31, 2019		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**7,297**	**3,699**	**3,598**	6,876	3,456	3,420
Digital cable terminals and modems	**937**	**579**	**358**	980	612	368
Satellite audio, video and data network and DTH receiving equipment	**114**	**68**	**46**	116	56	60
Land and buildings	**645**	**293**	**352**	640	265	375
Data centre infrastructure, data processing and other	**638**	**408**	**230**	597	398	199
Assets under construction	**312**	**–**	**312**	461	–	461
Property, plant and equipment excluding right-of-use assets	**9,943**	**5,047**	**4,896**	9,670	4,787	4,883
Right-of-use assets (note 14)	**1,387**	**141**	**1,246**	–	–	–
Property, plant and equipment	**11,330**	**5,188**	**6,142**	9,670	4,787	4,883

Changes in the net carrying amounts of property, plant and equipment for 2020 and 2019 are summarized as follows:

	August 31, 2019						August 31, 2020
	Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	Divestment $	Net book value $
Cable and telecommunications distribution system	**3,420**	**393**	**373**	**(585)**	**(3)**	**–**	**3,598**
Digital cable terminals and modems	**368**	**214**	**–**	**(223)**	**(1)**	**–**	**358**
Satellite audio, video and data network and DTH receiving equipment	**60**	**6**	**(1)**	**(17)**	**(2)**	**–**	**46**
Land and buildings	**375**	**6**	**1**	**(30)**	**–**	**–**	**352**
Data centre infrastructure, data processing and other	**199**	**63**	**29**	**(54)**	**(7)**	**–**	**230**
Assets under construction	**461**	**257**	**(406)**	**–**	**–**	**–**	**312**
	4,883	**939**	**(4)**	**(909)**	**(13)**	**–**	**4,896**

	August 31, 2018						August 31, 2019
	Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	Divestment $	Net book value $
Cable and telecommunications distribution system	3,364	306	295	(540)	(1)	(4)	3,420
Digital cable terminals and modems	386	218	–	(236)	–	–	368
Satellite audio, video and data network and DTH receiving equipment	65	11	–	(16)	–	–	60
Land and buildings	403	2	4	(30)	(4)	–	375
Data centre infrastructure, data processing and other	269	9	18	(50)	(17)	(30)	199
Assets under construction	215	563	(317)	–	–	–	461
	4,702	1,109	–	(872)	(22)	(34)	4,883

In 2020, the Company recognized a net loss of $3 (2019 – net gain of $43) on the disposal of property, plant and equipment.

8. OTHER LONG-TERM ASSETS

	2020 $	2019 $
Equipment costs subject to a deferred revenue arrangement	**67**	93
Long-term Wireless handset receivables	**35**	45
Costs incurred to obtain or fulfill a contract with a customer	**37**	35
Credit facility arrangement fees	**4**	4
Other	**20**	18
	163	195

Amortization provided in the accounts for 2020 amounted to $65 (2019 – $85) and was recorded as amortization of deferred equipment costs.

9. INTANGIBLES AND GOODWILL

	2020 $	2019 $
Broadcast rights and licences		
Cable systems	**4,016**	4,016
DTH and satellite services	**1,013**	1,013
	5,029	5,029
Wireless spectrum licences	**2,445**	2,445
Other intangibles		
Software	**479**	451
Customer relationships	**44**	54
	7,997	7,979
Goodwill		
Cable and telecommunications systems	**79**	79
Wireless	**201**	201
	280	280
Net book value	**8,277**	8,259

Broadcast rights and licences, trademark, brands and wireless spectrum licences have been assessed as having indefinite useful lives. While licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licences $	Goodwill $	Wireless spectrum licences $
September 1, 2018	5,029	280	1,953
Additions	–	–	492
Disposition	–	–	–
August 31, 2019	**5,029**	**280**	**2,445**
Additions	–	–	–
Disposition	–	–	–
August 31, 2020	**5,029**	**280**	**2,445**

Intangibles subject to amortization are as follows:

	August 31, 2020			August 31, 2019		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	**806**	**335**	**471**	697	257	440
Software under construction	**8**	**–**	**8**	11	–	11
Customer relationships	**114**	**70**	**44**	114	60	54
	928	**405**	**523**	822	317	505

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2018	412	22	66	500
Additions	112	11	–	123
Transfers	22	(22)	–	–
Dispositions	(6)	–	–	(6)
Amortization	**(100)**	–	**(12)**	**(112)**
August 31, 2019	**440**	**11**	**54**	**505**
Additions	**144**	–	–	**144**
Transfers	**7**	**(3)**	–	**4**
Dispositions	–	–	–	–
Amortization	**(120)**	–	**(10)**	**(130)**
August 31, 2020	**471**	**8**	**44**	**523**

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2020 and the recoverable amount of the CGUs exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the Cable CGU as at February 1, 2020 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the Satellite CGU as at February 1, 2020 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless CGU as at February 1, 2020 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2020 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2020.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2020, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	6.0%	0.5%	8.0x
Satellite	7.0%	-4.0%	6.7x
Wireless	7.0%	1.0%	5.3x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	15.0%	12.5%	6.2%
Satellite	7.8%	5.6%	7.4%
Wireless	18.2%	10.1%	9.4%

10. SHORT-TERM BORROWINGS

On June 19, 2018 the Company established an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $100. The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables are recognized on the Company's Consolidated Statements of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets.

On May 29, 2019, the Company amended the terms of its accounts receivable securitization program to extend the term of the program to May 29, 2022 and increase the sales committed up to a maximum of $200.

A summary of our accounts receivable securitization program as at August 31, 2020 is as follows:

	2020 $	2019 $
Accounts receivable securitization program, beginning of period	**40**	40
Proceeds received from accounts receivable securitization	**160**	–
Repayment of accounts receivable securitization	**–**	–
Accounts receivable securitization program, end of period	**200**	40

	2020 $	2019 $
Trade accounts receivable sold to buyer as security	**446**	434
Short-term borrowings from buyer	**(200)**	(40)
Overcollateralization	**246**	394

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020 $	2019 $
Trade	**82**	114
Program rights	**4**	5
Accrued liabilities	**541**	482
Accrued network fees	**129**	155
Interest and dividends	**217**	244
Related parties (note 29)	**26**	15
	999	1,015

12. PROVISIONS

	Asset retirement obligations $	Restructuring[1][2] $	Other $	Total $
September 1, 2019, as previously reported	78	142	83	303
Transition adjustments	–	–	(5)	(5)
Restated balance as at September 1, 2019	78	142	78	298
Additions	–	**14**	**23**	**37**
Accretion	**1**	–	–	**1**
Reversal	–	–	**(1)**	**(1)**
Payments	–	**(143)**	**(11)**	**(154)**
Balance as at August 31, 2020	**79**	**13**	**89**	**181**
Current	–	141	83	224
Long-term	78	1	–	79
Balance as at August 31, 2019	**78**	**142**	**83**	**303**
Current	–	**13**	**88**	**101**
Long-term	**79**	–	**1**	**80**
Balance as at August 31, 2020	**79**	**13**	**89**	**181**

(1) During fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative. A total of $130 has been paid in fiscal 2020. The remaining costs are expected to be paid out within the next 5 months.

(2) During fiscal 2020, the Company restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. In connection with the restructuring, the Company recorded $14 in the third quarter primarily related to severance and employee related costs, of which $13 has been paid as at August 31, 2020. The remaining costs are expected to be paid within the next 3 months.

13. LONG-TERM DEBT

	Effective interest rates %	2020 Long-term debt at amortized cost [1] $	2020 Adjustment for finance costs [1] $	2020 Long-term debt repayable at maturity $	2019 Long-term debt at amortized cost [1] $	2019 Adjustment for finance costs [1] $	2019 Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	–	–	–	1,250	–	1,250
5.50% due December 7, 2020	5.55	–	–	–	499	1	500
3.15% due February 19, 2021	3.17	–	–	–	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
3.30% due December 10, 2029	3.41	**495**	**5**	**500**	–	–	–
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,420	30	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	–	–	–
		4,499	**51**	**4,550**	5,258	42	5,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**49**	–	**49**	50	–	50
Total consolidated debt		**4,548**	**51**	**4,599**	5,308	42	5,350
Less current portion [2]		**1**	–	**1**	1,251	1	1,252
		4,547	**51**	**4,598**	4,057	41	4,098

[1] Long-term debt is presented net of unamortized discounts and finance costs.
[2] Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

Corporate

Bank loans

During 2012, a syndicate of banks provided the Company with an unsecured $1 billion credit facility which includes a maximum revolving term or swingline facility of $50. During 2016, the Company elected to increase its borrowing capacity by $500 under the terms of the amended facility.

On November 21, 2019, the Company amended the terms of its bank credit facility to extend the maturity date to December 2024. The facility can be used for working capital and general corporate purposes.

Funds are available to the Company in both Canadian and US dollars. At August 31, 2020, $3 (2019 – $3) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2020 was 2.81% (2019 – nil). The effective interest rate on the revolving term facility for 2020 was 4.05% (2019 – nil).

Senior notes

The senior notes are unsecured obligations and rank equally and ratably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

On October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

On December 9, 2019, the Company issued $800 of senior notes, consisting of $500 principal amount of 3.30% senior notes due 2029 and $300 principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792, along with cash on hand, were used to fund the redemption of the $500 principal amount of 5.50% senior notes due 2020 and the $300 principal amount of 3.15% senior notes due 2021.

On December 24, 2019, the Company redeemed the $500 principal amount of 5.50% senior notes due December 7, 2020 and the $300 principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 and accrued interest of $5.

On April 22, 2020, the Company issued $500 principal amount of senior notes at a rate of 2.90% due December 9, 2030.

Other

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and at that time, the Partnership issued ten year 6.31% secured mortgage bonds in respect of the commercial component of the Shaw Tower. In February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. Interest and principal payments commenced on April 1, 2019. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

In February 2018, the Partnership received an additional mortgage loan of $30 and used the proceeds to loan excess funds to each of its partners, of which the Company received $10. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually. Monthly mortgage payments consist of both principal and interest components.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2020.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2021	1
2022	1
2023	1
2024	1,001
2025	45
Thereafter	3,550
	4,599

Interest expense

	2020 $	2019 $
Interest expense – long-term debt	**224**	280
Amortization of senior notes discounts	**1**	1
Interest income – short-term (net)	**(7)**	(29)
Interest on lease liabilities (note 14)	**44**	–
Interest expense – other	**12**	6
	274	258

14. LEASES

Below is a summary of the activity related to the Company's right-of-use assets for the year ended August 31, 2020.

	2020 $
Net book value as at September 1, 2019	1,340
Additions	59
Amortization	(141)
Lease terminations and other	(12)
Net book value as at August 31, 2020	**1,246**

Below is a summary of the activity related to the Company's lease liabilities for the year ended August 31, 2020.

	2020 $
Balance as at September 1, 2019	1,324
Net additions	55
Interest on lease liabilities	44
Interest payments on lease liabilities	(44)
Principal payments of lease liabilities	(112)
Other	3
Balance as at August 31, 2020	**1,270**
Current	113
Long-term	1,211
Balance as at September 1, 2019	1,324
Current	113
Long-term	1,157
Balance as at August 31, 2020	**1,270**

Lease liabilities are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 3.50% as at August 31, 2020. Refer to Note 30 for a maturity analysis of the Company's lease liabilities.

The Company leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and licence fees for each transponder from the time the satellite becomes operational for a period of 15 years. As at August 31, 2020, the Company has recorded lease liabilities of $306 relating to these transponders. Included in operating, general and administrative expenses are transponder maintenance expenses of $nil (2019 – $84).

Below is a summary of the Company's other expenses related to leases included in operating, general and administrative expenses.

	2020 $	2019 $
Rental expense related to operating leases	–	164
Expenses related to variable lease components not included in lease liabilities	20	–
Expenses related to low-value leases	32	–
	52	164

15. OTHER LONG-TERM LIABILITIES

	2020 $	2019 $
Pension liabilities (note 28)	**68**	69
Post retirement liabilities (note 28)	**4**	4
Other	**–**	2
	72	75

16. DEFERRED CREDITS

	2020 $	2019 $
IRU prepayments	**387**	400
Equipment revenue	**17**	23
Deposit on future fibre sale	**2**	2
	406	425

Amortization of deferred credits for 2020 amounted to $29 (2019 – $34) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2020 amounted to $13 (2019 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2020 amounted to $16 (2019 – $21).

17. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A Shares of no par value, as described below; an unlimited number of Class B Non-Voting Shares of no par value; an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Preferred Shares") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Preferred Shares").

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Non-Voting Shares.

Issued and outstanding

2020	2019		2020	2019
Number of securities			$	$
22,372,064	22,372,064	Class A Shares	**2**	2
490,632,833	494,389,771	Class B Non-Voting Shares	**4,307**	4,310
10,012,393	10,012,393	Series A Preferred Shares	**245**	245
1,987,607	1,987,607	Series B Preferred Shares	**48**	48
525,004,897	528,761,835		**4,602**	4,605

Class A Shares and Class B Non-Voting Shares

Class A Shares are convertible at any time into an equivalent number of Class B Non-Voting Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Non-Voting Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Non-Voting Share capital in 2020 and 2019 are as follows:

	Class A Shares		Class B Non-Voting Shares	
	Number	$	Number	$
September 1, 2018	22,420,064	2	484,194,344	4,054
Stock option exercises	–	–	1,658,465	39
Dividend reinvestment plan	–	–	8,488,962	217
Class A conversion to Class B	(48,000)	–	48,000	–
August 31, 2019	**22,372,064**	**2**	**494,389,771**	**4,310**
Stock option exercises	–	–	**407,733**	**9**
Dividend reinvestment plan	–	–	**1,445,494**	**37**
Restricted Share Units	–	–	**4,507**	–
Shares Repurchased	–	–	**(5,614,672)**	**(49)**
Class A conversion to Class B	–	–	–	–
August 31, 2020	**22,372,064**	**2**	**490,632,833**	**4,307**

Series A and B Preferred Shares

The Series A Preferred Shares and Series B Preferred Shares represent series of Class 2 Preferred Shares and are classified as equity since redemption, at $25.00 per Series A Preferred Share and Series B Preferred Share, is at the Company's option and payment of dividends is at the Company's discretion.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

Normal Course Issuer Bid

On October 29, 2019, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares as at October 18, 2019.

During the year ended August 31, 2020, the Company purchased 5,614,672 Class B Non-Voting Shares for cancellation for a total cost of approximately $140 under the NCIB. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $91 and was charged to retained earnings. The Company suspended the program in April 2020.

Subsequent to year-end, on October 29, 2020, the Company's Board of Directors approved the renewal of the NCIB program to purchase up to 24,532,404 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares. The NCIB program remains subject to approval by the TSX and, if accepted, will be conducted in accordance with the applicable rules and policies of the TSX and applicable Canadian securities law.

Dividend Reinvestment Plan

On October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (DRIP), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP were applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

18. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under the Company's stock option plan, directors, officers, employees, and consultants are eligible to receive stock options to acquire Class B Non-Voting Shares with terms not to exceed ten years from the date of grant and for such number of Class B Non-Voting Shares as the Board, or a committee thereof, determines in its discretion. An option is not immediately exercisable, but rather is exercisable on vesting dates determined by the Board from time to time. The Company's current practice is to award options for terms of ten years with 20% of the options in a grant vesting on each of the first through fifth anniversaries of the grant date. The Board, or a committee thereof, may grant options at an exercise price not less than the closing price of the Class B Non-Voting Shares on the TSX on the trading day immediately preceding the date on which the options are granted. The maximum number of Class B Non-Voting Shares issuable under the plan may not exceed 62,000,000. As at August 31, 2020, 39,637,412 Class B Non-Voting Shares have been issued under the plan.

The changes in options are as follows:

	2020		2019	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**8,363,031**	**26.11**	9,378,966	25.18
Granted	**84,000**	**26.88**	1,540,000	26.36
Forfeited	**(681,168)**	**26.65**	(897,470)	26.66
Exercised [1]	**(407,733)**	**21.57**	(1,658,465)	20.76
Outstanding, end of year	**7,358,130**	**26.36**	8,363,031	26.11

[1] The weighted average Class B Non-Voting Share price for the options exercised was $25.60.

The following table summarizes information about the options outstanding at August 31, 2020:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$19.75 to $24.86	1,438,320	4.74	23.68	1,149,620	23.55
$24.87 to $26.31	1,531,075	5.88	25.93	1,069,575	25.83
$26.32 to $26.83	1,614,100	7.97	26.49	454,350	26.55
$26.84 to $27.71	1,142,135	5.75	27.31	811,235	27.35
$27.72 to $30.87	1,632,500	6.44	28.35	980,750	28.51

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2020 was $1.83 (2019 – $2.07) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2020	2019
Dividend yield	**4.41%**	4.50%
Risk-free interest rate	**1.45%**	2.08%
Expected life of options	**7 years**	7 years
Expected volatility factor of the future expected market price of Class B Non-Voting Shares	**15.90%**	16.30%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Non-Voting Shares.

Restricted share unit plan and Performance share unit plan

The Company has an RSU/PSU plan which provides that RSUs may be granted to directors, officers and employees of the Company and PSUs may be granted to officers and employees of the Company. Vested RSUs and PSUs will be settled in either cash or Class B Non-Voting Shares as determined by the Human Resources and Compensation Committee at the time of the grant. The cash payout will be based on the market value of a Class B Non-Voting Share at the time of the payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with additional RSUs or PSUs, as applicable, equal to the dividend.

For PSUs, the performance criteria is set by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payout is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Non-Voting Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

During 2020, $9 was recognized as compensation expense (2019 – $5). The carrying value and intrinsic value of combined RSUs and PSUs at August 31, 2020 was $12 and $12, respectively (August 31, 2019 – $7 and $7, respectively).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors may elect to receive their annual cash compensation, or a portion thereof, in DSUs and/or RSUs, provided that any director who has not met the applicable share ownership guideline is generally required to elect to receive at least 50% of his or her annual compensation in DSUs and/or RSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Non-Voting Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Non-Voting Share at the time of payout. When cash dividends are paid on Class B Non-Voting Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2020, $2 was recognized as compensation expense (2019 – $ nil). The carrying value and intrinsic value of DSUs at August 31, 2020 was $24 and $20, respectively (August 31, 2019 – $24 and $20, respectively).

Employee share purchase plan

The Company's ESPP provides employees with an incentive to increase the profitability of the Company and a means to participate in that increased profitability. Generally, all Canadian, non-unionized, full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions, increasing to 33% once an employee reaches 10 years of continuous service.

During 2020, $5 was recorded as compensation expense (2019 – $6).

19. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2020	2019
Numerator for basic and diluted earnings per share ($)		
Net income	**688**	733
Deduct: net income attributable to non-controlling interests in subsidiaries	–	(2)
Deduct: dividends on Preferred Shares	**(9)**	(9)
Net income attributable to common shareholders	**679**	722
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**515**	511
Effect of dilutive securities [1]	–	–
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**515**	511
Basic and diluted earnings per share ($)	**1.32**	1.41

[1] The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2020, 6,380,558 options were excluded from the diluted earnings per share calculation (2019 – 6,126,210).

20. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Non-Voting Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Non-Voting Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend amount of $0.0025 per share per annum. This additional dividend amount is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Non-Voting Shares, holders of Class A Shares and Class B Non-Voting Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Preferred Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate will be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Preferred Shares had the right, at their option, to convert their shares into Series B Preferred Shares, subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter, with the next conversion date being June 30, 2021.

On June 30, 2016, 1,987,607 Series A Preferred Shares were converted into an equal number of Series B Preferred Shares. The Series B Preferred Shares also represent a series of Class 2 preferred shares and holders will be entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Preferred Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%
December 31, 2019 to March 30, 2020	3.652%
March 31, 2020 to June 29, 2020	3.638%
June 30, 2020 to September 29, 2020	2.255%
September 30, 2020 to December 30, 2020	2.149%

Dividend reinvestment plan

The Company has a DRIP that allows holders of Class A Shares and Class B Non-Voting Shares who are residents of Canada and, effective December 16, 2016, the United States, to automatically reinvest monthly cash dividends to acquire additional Class B Non-Voting Shares. As at and for the year ended August 31, 2019 and for the two-month period ended October 30, 2019, Class B Non-Voting Shares distributed under the Company's DRIP were new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

On October 25, 2019, in accordance with the terms of its DRIP, the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019 and all other dividends payable thereafter.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2020 and 2019 are as follows:

2020		2019	
Class A Voting Share	**Class B Non-Voting Share**	**Class A Voting Share**	**Class B Non-Voting Share**
1.1825	1.1850	1.1825	1.1850

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2020 and 2019 are as follows:

2020		2019	
Series A Preferred Share	**Series B Preferred Share**	**Series A Preferred Share**	**Series B Preferred Share**
0.6978	0.8240	0.6978	0.9119

On July 10, 2020, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.14094 per Series B Preferred Share which were paid on September 30, 2020. The total amount paid was $2 of which $1 was not recognized as at August 31, 2020.

On October 30, 2020, the Company declared dividends of $0.098542 per Class A Share and $0.09875 per Class B Non-Voting Share payable on each of December 30, 2020, January 28, 2021 and February 25, 2021 to shareholders of record at the close of business on December 15, 2020, January 15, 2021 and February 15, 2021, respectively.

On October 30, 2020, the Company declared dividends of $0.17444 per Series A Preferred Share and $0.13431 per Series B Preferred Share payable on December 31, 2020 to holders of record at the close of business on December 15, 2020.

21. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2020 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(5)	1	(4)
Adjustment for hedged items recognized in the period	(3)	1	(2)
	(8)	2	(6)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:	2	(1)	1
	(6)	1	(5)

Components of other comprehensive income and the related income tax effects for 2019 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	3	(1)	2
Adjustment for hedged items recognized in the period	(3)	1	(2)
Share of other comprehensive income of associates	(13)	–	(13)
Reclassification of accumulated loss to income related to the sale of an associate	(3)	–	(3)
	(16)	–	(16)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(52)	13	(39)
	(68)	13	(55)

Accumulated other comprehensive loss is comprised of the following:

	2020 $	2019 $
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(5)**	1
Share of other comprehensive income of associates	–	18
Reclassification of accumulated loss to income related to the sale of an associate	–	(18)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:	**(94)**	(95)
	(99)	(94)

22. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
August 31, 2018	135	244
Increase in contract assets from revenue recognized during the period	179	–
Contract assets transferred to trade receivables	(145)	–
Contract terminations transferred to trade receivables	(11)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(236)
Increase in contract liabilities during the period	–	230
August 31, 2019	158	238
Increase in contract assets from revenue recognized during the period	**200**	–
Contract assets transferred to trade receivables	**(170)**	–
Contract terminations transferred to trade receivables	**(16)**	–
Revenue recognized included in contract liabilities at the beginning of the year	–	**(231)**
Increase in contract liabilities during the period	–	**218**
August 31, 2020	**172**	**225**

	Contract Assets	Contract Liabilities
Current	106	223
Long-term	52	15
Balance as at August 31, 2019	158	238
Current	**132**	**211**
Long-term	**40**	**14**
Balance as at August 31, 2020	**172**	**225**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the year ended August 31, 2020 and 2019. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2018	75
Additions to deferred commission cost assets	85
Amortization recognized on deferred commission cost assets	(66)
August 31, 2019	94
Additions to deferred commission cost assets	**84**
Amortization recognized on deferred commission cost assets	**(80)**
August 31, 2020	**98**
Current	59
Long-term	35
Balance as at August 31, 2019	94
Current	**61**
Long-term	**37**
Balance as at August 31, 2020	**98**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	2020 $	2019 $
Services		
Wireline – Consumer	**3,683**	3,743
Wireline – Business	**567**	557
Wireless	**815**	694
	5,065	4,994
Equipment and other		
Wireless	**351**	353
	351	353
Intersegment eliminations	**(9)**	(7)
Total revenue	**5,407**	5,340

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at August 31, 2020:

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total
Wireline	1,504	614	162	92	33	1	2,406
Wireless	418	116	–	–	–	–	534
Total	**1,922**	**730**	**162**	**92**	**33**	**1**	**2,940**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

23. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2020 $	2019 $
Employee salaries and benefits [1]	**657**	663
Purchases of goods and services	**2,373**	2,514
	3,030	3,177

[1] For the year ended August 31, 2020, employee salaries and benefits include restructuring costs of $14 compared to a recovery of $9 in restructuring costs for the year ended August 31, 2019.

24. OTHER GAINS (LOSSES)

	2020 $	2019 $
(Loss) gain on disposal of fixed assets and intangibles	**(3)**	32
Gain on disposal of non-core business	–	6
Debt Redemption Penalty	**(17)**	–
Gain on disposal of investment	–	15
Other [1]	**4**	(3)
	(16)	50

[1] Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

25. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2020 $	2019 $
Deferred tax assets	**1**	4
Deferred tax liabilities	**(1,968)**	(1,875)
Net deferred tax liability	**(1,967)**	(1,871)

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licences, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Total $
Balance at August 31, 2018	(287)	(1,733)	29	68	43	(1,880)
Recognized in statement of income	(12)	107	(61)	25	(63)	(4)
Recognized in other comprehensive income	–	–	–	–	13	13
Balance at August 31, 2019	(299)	(1,626)	(32)	93	(7)	(1,871)
Recognized in statement of income	**(51)**	**(10)**	**21**	**13**	**(32)**	**(59)**
Effect of IFRS 16 adoption (note 2)	**(4)**	–	–	–	**4**	–
Effect of IFRIC 23 adoption (note 2)	**(40)**	**2**	–	–	–	**(38)**
Recognized in other comprehensive income	–	–	–	–	**1**	**1**
Balance at August 31, 2020	**(394)**	**(1,634)**	**(11)**	**106**	**(34)**	**(1,967)**

The Company has capital loss carryforwards of approximately $46 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has non-capital loss carryforwards of approximately $301 for which no deferred income tax asset has been recognized in the accounts. The balance expires in varying annual amounts from 2034 to 2036.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2020	2019
Current statutory income tax rate	**26.3%**	26.8%
Income tax expense at current statutory rates	**228**	228
Net increase (decrease) in taxes resulting from:		
Effect of tax rate change	–	(102)
Recognition of previously unrecognized tax losses	**(22)**	(5)
Equity (income) loss of an associate not recognized	–	(12)
Other	**(27)**	9
Income tax expense	**179**	118

The statutory income tax rate for the Company decreased from 26.8% in 2019 to 26.3% in 2020 as a result of provincial tax rate changes.

The components of income tax expense are as follows:

	2020 $	2019 $
Current income tax expense	**120**	114
Deferred tax expense related to temporary differences	**81**	111
Deferred tax recovery from the recognition of previously unrecognized tax losses	**(22)**	(5)
Deferred tax recovery from tax rate change	–	(102)
Income tax expense	**179**	118

26. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which consist of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video, and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

	2020 $	2019 $
Revenue		
Wireline	**4,250**	4,300
Wireless	**1,166**	1,047
	5,416	5,347
Intersegment eliminations	**(9)**	(7)
	5,407	5,340
Adjusted EBITDA [1]		
Wireline	**2,054**	1,955
Wireless	**337**	199
	2,391	2,154
Restructuring costs	**(14)**	9
Amortization	**(1,217)**	(1,038)
Operating income	**1,160**	1,125
Interest		
Operating	**267**	255
Other/non-operating	**7**	2
	274	257
Current taxes		
Operating	**113**	114
Other/non-operating	**7**	–
	120	114

[1] Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses. We previously referred to this measure as "Operating income before restructuring and amortization" but have renamed it to better align with language used by various stakeholders of the Company.

Capital expenditures

	2020 $	2019 $
Capital expenditures accrual basis		
Wireline	**784**	784
Wireless	**296**	385
	1,080	1,169
Equipment costs (net of revenue)		
Wireline	**31**	43
Capital expenditures and equipment costs (net)		
Wireline	**815**	827
Wireless	**296**	385
	1,111	1,212
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**970**	1,109
Additions to equipment costs (net)	**31**	42
Additions to other intangibles	**150**	147
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,151**	1,298
Increase (decrease) in working capital and other liabilities related to capital expenditures	**(38)**	(28)
Decrease in customer equipment financing receivables	**–**	1
Less: Proceeds on disposal of property, plant and equipment	**(2)**	(59)
Total capital expenditures and equipment costs (net) reported by segments	**1,111**	1,212

27. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has the following future minimum payments for their contractual commitments that are not recognized as liabilities as at August 31, 2020:

	Purchase Obligations [1]	Property, Plant and Equipment
Within one year	501	184
1 to 3 years	311	30
3 to 5 years	232	3
Over 5 years	114	–
	1,158	217

[1] Includes contractual obligations under service, product, and wireless device contracts, program related agreements and exclusive rights to use intellectual property in Canada.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2020, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2020, such instruments amounted to $5. The Company has not recorded any additional liability with respect to these instruments, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The instruments mature at various dates during fiscal 2021 to fiscal 2022.

28. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. Effective January 1, 2019, the Company introduced a voluntary pension contribution matching program whereby, in addition to the 5% of Company contributions, employees who make voluntary contributions will receive a 25% match on contributions up to 5% of their eligible earnings. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $31 (2019 – $31) of which $24 (2019 – $23) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives. The following is a summary of the accrued benefit liabilities recognized in the statement of financial position.

	2020	2019
Non-registered plans		
Accrued benefit obligation	**513**	505
Fair value of plan assets	**445**	436
Accrued benefit liabilities and deficit	**68**	69

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficiency. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To mitigate some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan (SERP) for certain of its senior executives and retirees. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan (ERP) for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2020 Total $	SERP $	ERP $	2019 Total $
Accrued benefit obligation, beginning of year	**478**	**27**	**505**	429	17	446
Current service cost	**2**	**9**	**11**	5	6	11
Interest cost	**14**	**1**	**15**	16	1	17
Payment of benefits to employees	**(19)**	**(2)**	**(21)**	(17)	(1)	(18)
Transfer from DC plan	**–**	**1**	**1**	–	1	1
Remeasurements:						
Effect of changes in demographic assumptions	**16**	**–**	**16**	(4)	–	(4)
Effect of changes in financial assumptions	**13**	**1**	**14**	53	3	56
Effect of experience adjustments	**(27)**	**(1)**	**(28)**	(4)	–	(4)
Accrued benefit obligation, end of year	**477**	**36**	**513**	478	27	505
Fair value of plan assets, beginning of year	**417**	**19**	**436**	421	15	436
Employer contributions	**–**	**12**	**12**	–	5	5
Interest income	**12**	**1**	**13**	15	1	16
Transfer from DC plan	**–**	**1**	**1**	–	1	1
Payment of benefits	**(19)**	**(2)**	**(21)**	(17)	(2)	(19)
Return on plan assets, excluding interest income	**5**	**(1)**	**4**	(2)	(1)	(3)
Fair value of plan assets, end of year	**415**	**30**	**445**	417	19	436
Accrued benefit liability and plan deficit, end of year	**62**	**6**	**68**	61	8	69

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2020 is 15.6 years and 17.9 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2020 are invested in the following:

	SERP	ERP
Cash and cash equivalents	201	21
Fixed income securities	73	3
Equity securities – Canadian	41	3
Equity securities – Foreign	100	3
	415	30

All fixed income and equity securities have a quoted price in active market.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2020 SERP %	2020 ERP %	2019 SERP %	2019 ERP %
Discount rate	2.70	2.70	2.90	2.90
Rate of compensation increase	3.00[1]	3.00	3.00[1]	3.00

Benefit cost for the year	2020 SERP %	2020 ERP %	2019 SERP %	2019 ERP %
Discount rate	2.90	2.90	3.70	3.70
Rate of compensation increase	3.00[1]	3.00	3.00[1]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2020 by $81. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $4.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the statement of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP	ERP	2020 Total	SERP	ERP	2019 Total
Current service cost	2	9	11	5	6	11
Interest cost	14	1	15	16	1	17
Interest income	(12)	(1)	(13)	(15)	(1)	(16)
Pension expense	4	9	13	6	6	12

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the statement of financial position.

	2020	2019
Accrued benefit obligation and plan deficit, beginning of year	**4**	3
Current service cost	–	–
Interest cost	–	–
Payment of benefits to employees	–	–
Remeasurements:		
Effect of changes in demographic assumptions	–	1
Accrued benefit obligation and plan deficit, end of year	**4**	4

The weighted average duration of the benefit obligation at August 31, 2020 is 17.6 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $nil (2019 – $nil) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2020 were 2.70% and 2.90%, respectively (2019 – 3.70% and 2.90%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2020 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2021 is $3.

29. RELATED PARTY TRANSACTIONS

Controlling shareholder

Voting control of the Company is held by Shaw Family Living Trust (SFLT) and its subsidiaries. As at August 31, 2020, SFLT and its subsidiaries held 17,562,400 Class A Shares, representing approximately 79% of the issued and outstanding Class A Shares, for the benefit of the descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board consisting of seven directors, including as at August 31, 2020, Bradley S. Shaw, four other members of his family, and two independent directors.

The Class A Shares are the only shares entitled to vote in all circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A Shares.

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada.

	Ownership Interest	
	August 31, 2020	August 31, 2019
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Freedom Mobile Inc.	**100%**	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2020 $	2019 $
Short-term employee benefits	**17**	29
Post-employment pension benefits	**3**	9
Termination benefits	**11**	–
Share-based compensation	**6**	2
	37	40

Transactions

The Company paid $2 (2019 – $2) for collection, installation, and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $10 (2019 – $12) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

At August 31, 2020, the Company had $1 owing in respect of these transactions (2019 - $nil).

During the year, network fees of $27 (2019 – $27) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2020, the Company had $4 owing in respect of these transactions (2019 – $4).

In the prior year, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of SFLT (the "Purchaser"), for total net proceeds of approximately $45. The Property had a net book value of approximately $4 resulting in a gain on disposition of approximately $41. The purchase price was determined based on appraisals performed by two independent valuators. As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which was also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company. At August 31, 2020, the Company had a remaining lease liability of $1 in respect of this lease which is included in the amounts disclosed in Note 14.

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $121 (2019 – $127), advertising fees of $6 (2019 – $5), and administrative fees of $1 (2019 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $1 (2019 – $1), uplink of television signals for $5 (2019 – $8), and Internet services and lease of circuits for $6 (2019 – $6). At August 31, 2020, the Company had a net of $21 owing in respect of these transactions (2019 – $11).

As part of a regulatory requirement where Shaw pays Corus in lieu of either providing the news coverage directly or contributing into a fund managed by the CRTC, Shaw paid $13 (2019 - $14) as part of the Local News Community Investment program.

The Company provided Corus with advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $11 (2019 – $10) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2020, the Company had a remaining lease liability of $67 in respect of the office space lease which is included in the amounts disclosed in Note 14.

30. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying value and estimated fair value of long-term debt are as follows:

	August 31, 2020		August 31, 2019	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion) [1]	**4,548**	**5,613**	5,308	6,014

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and operating costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and operating costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2020, the Company entered into forward contracts to purchase US $72 over a period of 12 months commencing in September 2019 at an average exchange rate of 1.3115 Cdn. At August 31, 2020 the Company had forward contracts to purchase US $132 over a period of 12 months commencing September 2020 at an average exchange rate of 1.3544 Cdn in respect of US dollar commitments.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are a banking facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in Note 13. The Company also has an accounts receivable securitization program as described in Note 10.

Interest on the Company's unsecured banking facility and accounts receivable securitization program are based on floating rates, while the senior notes are fixed-rate obligations. When drawn, the Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2020, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $13 net of tax (2019 – $7). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's banking facility and accounts receivable securitization program are based on floating rates. As at August 31, 2020 there is no significant market risk arising from interest rate fluctuations within a reasonably contemplated range from their actual amounts.

At August 31, 2020, a one dollar change in the Company's Class B Non-Voting Shares would have had an impact on net income of $1 (August 31, 2019 – $1) in respect of the Company's DSU, RSU, and PSU plans.

Credit risk

Accounts receivable in respect of the Consumer, Business and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2020, the Company had accounts receivable of $268 (August 31, 2019 – $287), net of the allowance for doubtful accounts of $74 (August 31, 2019 – $63). The Company maintains an allowance for doubtful accounts for the expected credit losses resulting from the inability of its customers to make required payments.

	2020 $	2019 $
Balance, beginning of period	63	38
Additions (doubtful accounts expense)	60	40
Net usage	(49)	(15)
Balance, end of period	**74**	**63**

In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2020, $105 (August 31, 2019 – $123) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2020 are as follows:

	Short-term borrowings	Accounts payable and accrued liabilities[1]	Long-term debt repayable at maturity	Leases (note 14)	Interest payments
Within one year	200	999	1	154	218
1 to 3 years	–	–	502	288	436
3 to 5 years	–	–	546	273	365
Over 5 years	–	–	3,550	916	1,932
	200	999	4,599	1,631	2,951

[1] Includes accrued interest and dividends of $217.

31. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from continuing operations

	2020 $	2019 $
Net income from continuing operations	**688**	733
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**1,220**	1,041
Deferred income tax expense (recovery)	**59**	4
Share-based compensation	**2**	3
Defined benefit pension plans	**1**	7
Equity (income)/ loss of an associate or joint venture	**–**	(46)
Loss on disposal of an associate or joint venture	**–**	109
Gain on disposal of investments	**–**	(15)
Net change in contract asset balances	**(14)**	(23)
Loss (gain) on disposal of fixed assets and intangibles	**3**	(32)
Loss on write-down of assets	**7**	–
Other	**23**	(4)
Funds flow from continuing operations	**1,989**	1,777

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	2020 $	2019 $
Interest paid	**287**	230
Income taxes paid (net of refunds)	**134**	166
Interest received	**7**	29

Included in interest paid is interest on lease liabilities of $44 for the year ended August 31, 2020 (2019 – $nil).

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(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2020 $	2019 $
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan (note 20)	**37**	217

32. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), lease liabilities (including the current portion thereof), short-term borrowings and bank indebtedness less cash and cash equivalents.

	2020 $	2019 $
Cash	**(763)**	(1,446)
Short-term borrowings	**200**	40
Long-term debt repayable at maturity	**4,599**	5,350
Lease liabilities	**1,270**	–
Share capital	**4,602**	4,605
Contributed surplus	**27**	26
Retained earnings	**1,703**	1,745
	11,638	10,320

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2020, the Company is in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

The Company's overall capital structure management strategy remains unchanged from the prior year.

33. SUBSEQUENT EVENT

Subsequent to year-end, on October 29, 2020, the Company's Board of Directors approved the renewal of the NCIB program to purchase up to 24,532,404 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares. The NCIB program remains subject to approval by the TSX and, if accepted, will be conducted in accordance with the applicable rules and policies of the TSX and applicable Canadian securities law.

Corporate Information

DIRECTORS

Brad Shaw[4]
Executive Chair & Chief Executive Officer
Shaw Communications Inc.

Peter J. Bissonnette[2]
Corporate Director

Adrian L. Burns[2][4]
Corporate Director

Christy Clark[3]
Corporate Director

Dr. Richard R. Green[1]
Corporate Director

Gregory John Keating[3]
Chairman and Chief Executive Officer
Altimax Venture Capital

Michael W. O'Brien[1][4]
Corporate Director

Paul K. Pew[3][4]
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer[1]
Private Investor

Mike Sievert
President, Chief Executive Officer and Director of T-Mobile

Carl E. Vogel[1][2]
Private Investor; Senior Advisor to DISH Network

Sheila C. Weatherill[3]
Corporate Director

Willard (Bill) H. Yuill[2]
Chairman and Chief Executive Officer
The Monarch Corporation

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

Bradley S. Shaw
Executive Chair & Chief Executive Officer

Paul McAleese
President, Shaw Communications Inc.

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

Zoran Stakic
Chief Operating Officer & Chief Technology Officer

Peter Johnson
Executive Vice President, Chief Legal and Regulatory Officer

Katherine Emberly
President, Business

Dan Markou
Executive Vice President, Chief People and Culture Officer

Paul Deverell
President, Consumer

CORPORATE OFFICE
Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: www.shaw.ca

CORPORATE GOVERNANCE
Information concerning Shaw's corporate governance policies is contained in the Proxy Circular and is also available on Shaw's website, www.shaw.ca.

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the Investor Relations section on Shaw's website, www.shaw.ca.

INTERNET HOME PAGE
Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at www.shaw.ca.

AUDITORS
Ernst & Young LLP

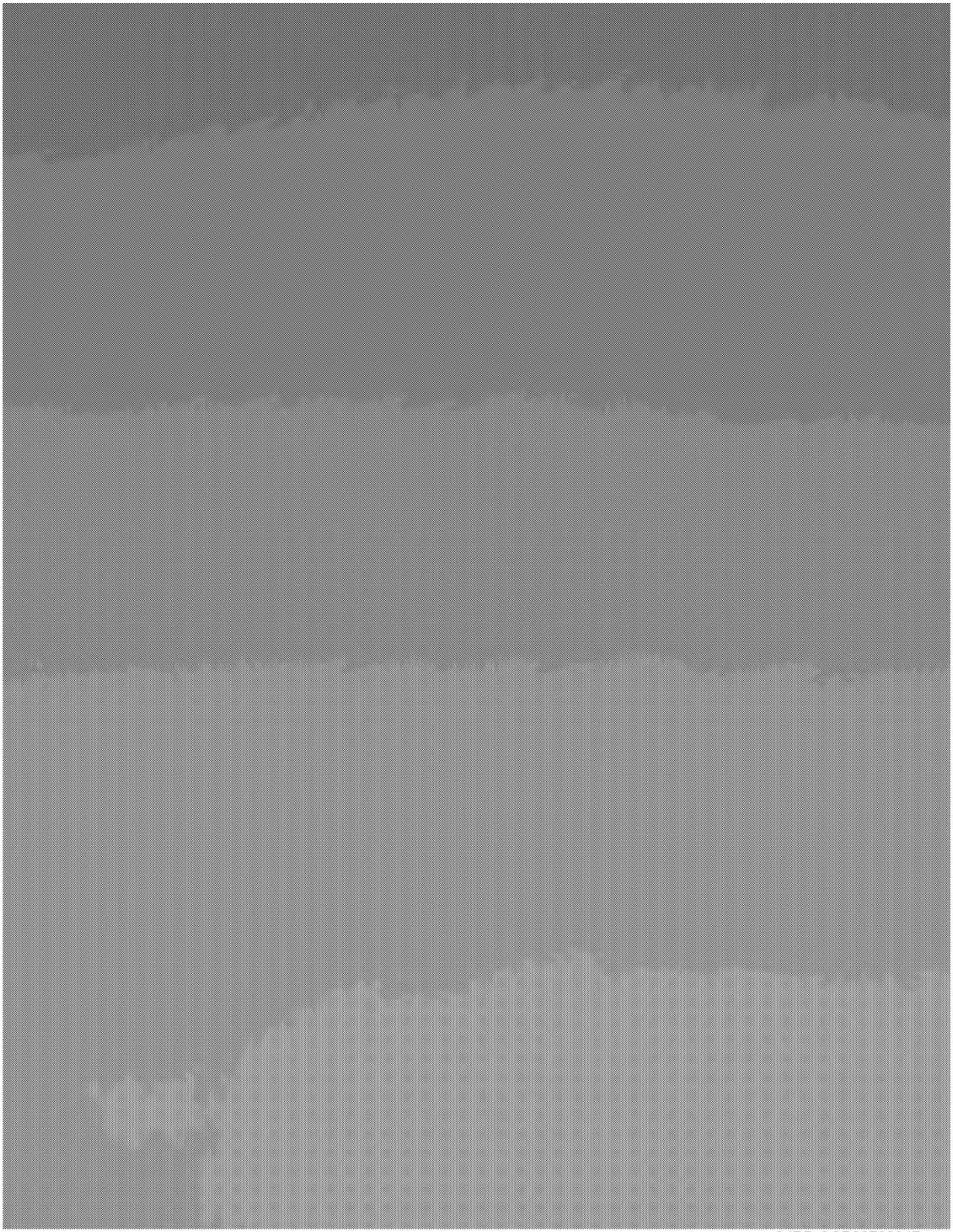
PRIMARY BANKER
The Toronto-Dominion Bank

TRANSFER AGENTS
AST Trust Company
600, 333 – 7th Ave SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE
Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario, M5J 2Y1
Phone: 1-800-564-6253

FURTHER INFORMATION
Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at www.shaw.ca for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email investor.relations@sjrb.ca.




Shaw)

This is Exhibit 31 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Shaw)

2021 ANNUAL REPORT

Dear Fellow Shareholders:

I am incredibly proud of our Company and our employees as I reflect on over 50 years of providing exceptional products and services to Canadians. Shaw's culture has enabled and powered the innovative and vital services we provide to our customers and communities. We have built a powerful combination of assets, from our extensive Fibre+ infrastructure and strengthening wireless network, to our 9,400 engaged and passionate employees. For over five decades, we have created and nurtured an organization that centres around our customers and connects our communities.

The benefits of our relentless customer focus and facilities-based investments have never been more clear with the emergence of COVID-19. While collectively we are still dealing with the evolving impacts nearly two years on, the pandemic has highlighted the essential role of strong and ubiquitous connectivity services, which will only become more critical as economic shifts and technology advancements accelerate Canada's digital transformation. When Canadians have needed us most, we delivered faster speeds, better value and outstanding customer service.

In our communities, we continue to identify and support emerging needs that were accentuated by the pandemic and important social movements impacting employees, customers, and Canadians. We were delighted that our signature sponsorship, the Shaw Charity Classic, was able to return after being cancelled last year due to the pandemic. This Calgary-based event has now raised $75 million for more than 200 charities supporting Alberta youth since 2013.

Despite the significant uncertainty over the last 18-months, we stayed focused on our near-term priorities, including balanced and profitable results, delivering consolidated adjusted EBITDA growth of 4.6% and free cash flow of approximately $961 million in fiscal 2021.

Our fiscal 2021 results reflect continued strong execution, but also mark the beginning of a bold new path for Shaw with the announcement of our combination with Rogers on March 15, 2021. This critical next step in our evolution was taken with our customers' best interests at the forefront. A technology revolution is clearly upon us, with next-generation networks, like 5G, breaking down the boundaries of what's possible, but also requiring significant scale and investment. Tomorrow's networks need to be even stronger, more expansive and more capable in order to compete vigorously and to meet the needs of Canada's emerging connected society.

Wireless

In fiscal 2021, we welcomed approximately 295,000 wireless customers to the Shaw and Freedom network. With the launch of Shaw Mobile in July 2020, we focused on bundling Shaw Mobile wireless with our Internet offerings, enhancing the value proposition for our customers.

Supporting our wireless growth has been the continued investment in our network and distribution channels to elevate the overall customer experience. We are investing in the deployment of our 700 MHz and 600 MHz spectrum to further enhance our existing LTE service, in small cell technology, and additional retail capacity, where Shaw Mobile and Freedom Mobile can now be found in over 200 and 800 locations, respectively. Not only did we modernize and expand our retail presence, but we also improved our digital capabilities, shifting to digital self-serve and online fulfillment of wireless services, ensuring a safe environment for our employees and customers in the face of ongoing COVID uncertainty.

Wireline

With unprecedented demand for Internet access from our customers, our Wireline business continues to be resilient. Investments in network infrastructure have been a cornerstone throughout our history. Not only have we handled the increased Internet usage with ease, but we also introduced even faster service tiers, such as Fibre+ Gig 1.5, designed to provide even the heaviest users the bandwidth they need. With our new Fibre+ Gateway 2.0 modem we introduced the latest WiFi technology and enabled the launch of Shaw Gig WiFi to most of our major markets in western Canada. Outside of our customers' homes, we continue to provide them with access to Canada's largest WiFi network.

Small businesses continue to be the heart of our economy and our Shaw Business division was there to support them throughout the challenges with COVID-19. By collaborating with global scale technology leaders, our growing "Smart" suite of managed services provide businesses of all sizes the tools they need to grow their business and actively participate in the growing digital economy. While Shaw Business was not immune to the challenging backdrop caused by the pandemic, strong relationships with our customers and flexible solutions enabled modest revenue growth in an otherwise difficult environment throughout fiscal 2021.

Looking ahead

As history has shown, network investment is the foundation for connecting Canadians. Continued investment in world-leading network infrastructure, at scale, has never been so critical to Canada's future as it is now. It is fundamental to delivering leading and innovative services and to compete on the global stage. With a stronger, national network presence, the combined entity that will emerge from the proposed arrangement with Rogers will provide significantly more benefits to Canadians much sooner than would otherwise be possible. We look forward to working closely with the Rogers team to support the close of the transaction, expected to occur in the first half of 2022.

In closing, I would like to send my sincerest appreciation to our Board of Directors, for providing a clear vision and stewardship of the Company. Also, to our shareholders, for your overwhelming support for the combination with Rogers. To all of our valued Shaw customers – thank you for inspiring us to always look to the future, to be better, and to be bold. Finally, to all Shaw employees, past and present – your dedication and contributions are invaluable. Thank you for your strong leadership.

[Signed]

Bradley S. Shaw
Executive Chair & Chief Executive Officer

MANAGEMENT'S DISCUSSION & ANALYSIS

Contents

FORWARD

Tabular dollar amounts are in millions of Canadian dollars, except per share amounts or unless otherwise indicated. This Management's Discussion and Analysis (MD&A) should be read in conjunction with the Consolidated Financial Statements. The terms "we," "us," "our," "Shaw" and "the Company" refer to Shaw Communications Inc. or, as applicable, Shaw Communications Inc. and its direct and indirect subsidiaries as a group. This MD&A is current as at October 29, 2021 and was approved by Shaw's Board of Directors.

CAUTION CONCERNING FORWARD LOOKING STATEMENTS

Statements included in this MD&A that are not historic constitute "forward-looking information" within the meaning of applicable securities laws. They can generally be identified by words such as "anticipate," "believe," "expect," "plan," "intend," "target," "goal," and similar expressions (although not all forward-looking statements contain such words). All of the forward-looking statements made in this report are qualified by these cautionary statements. Forward looking statements in this MD&A include, but are not limited to, statements relating to:

- the expected impact of the COVID-19 pandemic;
- future capital expenditures;
- proposed asset acquisitions and dispositions;
- anticipated benefits of the Transaction (as defined below) to Shaw and its securityholders, including corporate, operational, scale and other synergies and the timing thereof;
- the timing, receipt and conditions of required regulatory or other third-party approvals, including but not limited to the receipt of applicable approvals under the *Broadcasting Act* (Canada), the *Competition Act* (Canada) and the *Radiocommunication Act* (Canada) (collectively, the "Key Regulatory Approvals") related to the Transaction;
- the ability of the Company and Rogers (as defined below) to satisfy the other conditions to the closing of the Transaction and the anticipated timing for closing of the Transaction;
- expected cost efficiencies;
- expectations for future operating performance;
- business and technology strategies and measures to implement strategies;
- expected growth in subscribers and the products/services to which they subscribe;
- competitive strengths and pressures;
- expected project schedules, regulatory timelines, and completion/in-service dates for the Company's capital and other projects;
- the expected number of retail outlets;
- the expected impact of new accounting standards, recently adopted or expected to be adopted in the future;
- the effectiveness of any changes to the design and performance of the Company's internal controls and procedures;
- the expected impact of changes in laws, regulations, decisions by regulators, or other actions by governments or regulators on the Company's business, operations and/or financial performance or the markets in which the Company operates;
- the expected impact of any emergency measures implemented or withdrawn by governments or regulators;
- timing of new product and service launches;
- the resiliency and performance of the Company's wireline and wireless networks;
- the deployment of (i) network infrastructure to improve capacity and coverage, (ii) and new technologies, including next generation wireless technologies such as 5G;
- expected changes in the Company's market share;
- the ability of Shaw Mobile to drive customer growth;
- the cost of acquiring and retaining subscribers and deployment of new services;
- expansion of and changes in the Company's business and operations and other goals and plans; and
- execution and success of the Company's current and long term strategic initiatives.

Forward-looking statements are based on assumptions and analyses made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances as at the current date. The Company's management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable based on the information available on the date such statements are made and the process used to prepare the information.

Considering the uncertain and changing circumstances surrounding the COVID-19 pandemic and the related response from the Company, governments (federal, provincial and municipal), regulatory authorities, businesses and customers, there continues to be inherently more uncertainty associated with the Company's assumptions as compared to prior periods. These assumptions, many of which are confidential, include, but are not limited to management expectations with respect to:

- general economic conditions, including the impact on the economy and financial markets resulting from the COVID-19 pandemic and other health risks;
- the impact of the COVID-19 pandemic and other health risks on the Company's business, operations, capital resources, and/or financial results;
- anticipated benefits of the Transaction to the Company and its security holders;
- the timing, receipt and conditions of required regulatory or other third-party approvals, including but not limited to the receipt of the Key Regulatory Approvals related to the Transaction;
- the ability of the Company and Rogers to satisfy the other conditions to closing of the Transaction in a timely manner and the completion of the Transaction on expected terms;
- the ability of Rogers to obtain the debt financing required to complete the Transaction through the satisfaction of the limited conditions of the debt commitment letter for the debt financing and the absence of events that would prevent Rogers from consummating the debt financing;
- the ability to successfully integrate the Company with Rogers in a timely manner;
- the impact of the announcement of the Transaction, and the dedication of substantial Company resources to pursuing the Transaction, on the Company's ability to maintain its current business relationships (including with current and prospective employees, customers and suppliers) and its current and future operations, financial condition and prospects;
- the ability to satisfy the other expectations and assumptions concerning the Transaction and the operations and capital expenditure plans for the Company following completion of the Transaction;
- future interest rates;
- previous performance being indicative of future performance;
- future income tax rates;
- future foreign exchange rates;
- technology deployment;
- future expectations and demands of our customers;
- subscriber growth;
- incremental costs associated with growth in wireless handset sales;
- pricing, usage and churn rates;
- availability and cost of programming, content, equipment and devices;
- industry structure, conditions, and stability;
- regulation, legislation, or other actions by governments or regulators (and the impact or projected impact on the Company's business);
- the implementation or withdrawal of any emergency measures by governments or regulators (and the impact or projected impact on the Company's business, operations, and/or financial results);
- access to key suppliers and third-party service providers and their goods and services required to execute on the Company's current and long term strategic initiatives on commercially reasonable terms;
- key suppliers performing their obligations within the expected timelines;
- retention of key employees;
- the Company being able to successfully deploy (i) network infrastructure required to improve capacity and coverage, and (ii) new technologies, including next generation wireless technologies such as 5G;
- operating expense and capital cost estimates associated with the implementation of enhanced health and safety measures for the Company's offices, retail stores and employees to reduce the spread of COVID-19;
- the Company's access to sufficient retail distribution channels;
- the Company's access to the spectrum resources required to execute on its current and long-term strategic initiatives; and
- the Company being able to execute on its current and long term strategic initiatives.

You should not place undue reliance on any forward-looking statements. Many factors, including those not within the Company's control, may cause the Company's actual results to be materially different from the views expressed or implied by such forward-looking statements, including, but not limited to:

- changes in general economic, market and business conditions, including the impact of the COVID-19 pandemic and other health risks, on the economy and financial markets which may have a material adverse effect on the Company's business, operations, capital resources and/or financial results;
- increased operating expenses and capital costs associated with the implementation of enhanced health and safety measures for the Company's offices, retail stores, and employees in response to the COVID-19 pandemic;
- the failure of the Company and Rogers to receive, in a timely manner and on satisfactory terms, the necessary regulatory or other third-party approvals, including but not limited to the Key Regulatory Approvals, required to close the Transaction;
- the ability to satisfy, in a timely manner, the other conditions to the closing of the Transaction;
- the ability to complete the Transaction on the terms contemplated by the Arrangement Agreement (as defined below) between the Company and Rogers;
- the ability to successfully integrate the Company with Rogers in a timely manner;
- the ability of Rogers to obtain the debt financing required to complete the Transaction through the satisfaction of the limited conditions of the debt commitment letter for the debt financing and the absence of events that would prevent Rogers from consummating the debt financing;
- the Company's failure to complete the Transaction for any reason could materially negatively impact the trading price of the Company's securities;
- the announcement of the Transaction and the dedication of substantial Company resources to pursuing the Transaction may adversely impact the Company's current business relationships (including with current and prospective employees, customers and suppliers) and its current and future operations, financial condition and prospects;
- the failure of the Company to comply with the terms of the Arrangement Agreement may, in certain circumstances, result in the Company being required to pay the termination fee to Rogers, the result of which will or could have a material adverse effect on the Company's financial position and results of operations and its ability to fund growth prospects and current operations;
- changes in interest rates, income taxes and exchange rates;
- changes in the competitive environment in the markets in which the Company operates and from the development of new markets for emerging technologies;
- changing industry trends, technological developments and other changing conditions in the entertainment, information, and communications industries;
- changes in laws, regulations and decisions by regulators or other actions by governments or regulators that affect the Company or the markets in which it operates;
- any emergency measures implemented or withdrawn by governments or regulators;
- technology, privacy, cyber security, and reputational risks;
- disruptions to service, including due to network failure or disputes with key suppliers;
- the Company's ability to execute its strategic plans and complete its capital and other projects on a timely basis;
- the Company's ability to grow subscribers and market share;
- the Company's ability to have and/or obtain the spectrum resources required to execute on its current and long-term strategic initiatives;
- the Company's ability to gain sufficient access to retail distribution channels;
- the Company's ability to access key suppliers and third-party service providers required to execute on its current and long-term strategic initiatives on commercially reasonable terms;
- the ability of key suppliers to perform their obligations within expected timelines;
- the Company's ability to retain key employees;
- the Company's ability to achieve cost efficiencies;
- the Company's ability to recognize and adequately respond to climate change concerns or public and governmental expectations on environmental matters;
- the Company's status as a holding company with separate operating subsidiaries; and
- other factors described in this MD&A under the heading "Known Events, Trends, Risks and Uncertainties."

The foregoing is not an exhaustive list of all possible factors.

Should one or more of these risks materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A.

Any forward-looking statement speaks only as of the date on which it was originally made and, except as required by law, the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect any change in related assumptions, events, conditions or circumstances. All forward-looking statements contained in this MD&A are expressly qualified by this statement.

ABOUT OUR BUSINESS

CONSUMER

Our Consumer division connects people and families in British Columbia, Alberta, Saskatchewan, Manitoba, and northern Ontario through our Fibre+ network.

Shaw Direct is one of two licensed satellite Video services available across Canada.

WIRELESS

Shaw Mobile currently operates in British Columbia and Alberta. Freedom Mobile currently operates in Ontario, British Columbia and Alberta.

Over 19 million Canadians reside within our current mobile wireless network service area.

BUSINESS

Our Business division leverages our network infrastructure with a product suite targeting businesses of all sizes.

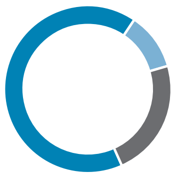
In the following sections we provide selected financial highlights and additional details with respect to our Wireline and Wireless divisions as well as our network.

Select Financial and Operational Highlights

Basis of presentation

We adopted IFRS 16, Leases ("IFRS 16") effective September 1, 2019. The adoption of IFRS 16 had a significant effect on our reported results and we adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented were not restated and continue to be reported under International Accounting Standard (IAS) 17 – Leases ("IAS 17"), as permitted by the specific transition provisions of IFRS 16. The cumulative effect of the initial adoption of IFRS 16 was reflected as an adjustment to the impacted balance sheet accounts as at September 1, 2019. Accordingly, fiscal 2021 and fiscal 2020 operating results are reported in accordance with IFRS 16 while fiscal 2019 operating results are reported in accordance with IAS 17 and are therefore not comparable.

2021 Total Revenue

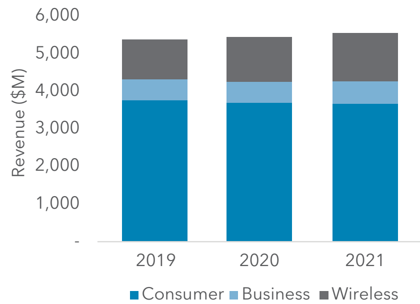


$5.5 BILLION

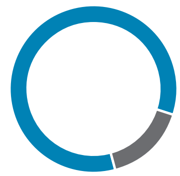
23% Wireless

66% Wireline - Consumer

11% Wireline - Business



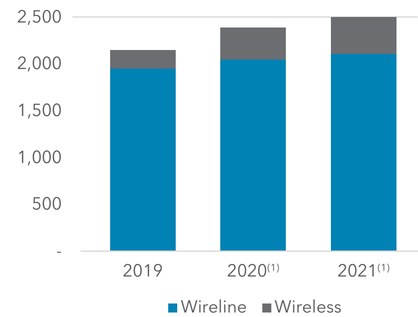
2021 Adjusted EBITDA



$2.5 BILLION

16% Wireless

84% Wireline



	Year ended August 31,			Change	
(millions of Canadian dollars except per share amounts)	**2021 (1)**	**2020 (1)**	**2019**	**2021 %**	**2020 %**
Operations:					
Revenue	**5,509**	5,407	5,340	1.9	1.3
Adjusted EBITDA (2)	**2,500**	2,391	2,154	4.6	11.0
Adjusted EBITDA margin (2)	**45.4%**	44.2%	40.3%	2.7	9.7
Net income	**986**	688	733	43.3	(6.1)
Per share data:					
Earnings per share					
Basic and diluted	**1.94**	1.32	1.41		
Weighted average participating shares outstanding during period (millions)	**504**	515	511		
Funds flow from operations (3)	**2,249**	1,989	1,777	13.1	11.9
Free cash flow (2)	**961**	747	538	28.6	38.8

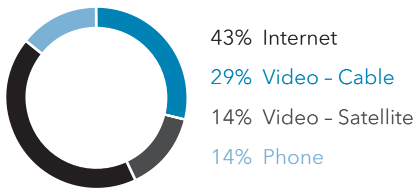
(1) Fiscal 2021 and 2020 figures reflect the impact of the adoption and application of IFRS 16 while fiscal 2019 figures do not and are not comparable.

(2) Adjusted EBITDA, adjusted EBITDA margin, and free cash flow are non-GAAP financial measures or non-GAAP ratios and should not be considered substitutes or alternatives for GAAP measures. These are not defined terms under IFRS and do not have standardized meanings, and therefore may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for more information about these measures and ratio, including quantitative reconciliations to the most directly comparable financial measures in the Company's Consolidated Financial Statements.

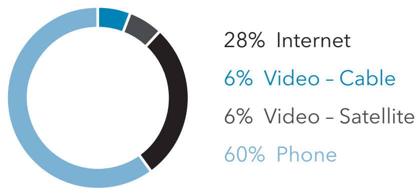
(3) Funds flow from operations is before changes in non-cash working capital balances related to operations as presented in the Consolidated Statements of Cash Flows.

Subscriber highlights:

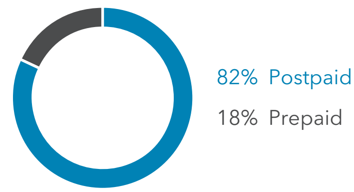
Wireline – Consumer



Wireline – Business



Wireless



Subscriber highlights:	August 31, 2021	August 31, 2020	Change
Wireline – Consumer			
Video – Cable	**1,282,879**	1,390,520	(107,641)
Video – Satellite	**590,578**	650,727	(60,149)
Internet	**1,889,752**	1,903,868	(14,116)
Phone	**595,580**	672,610	(77,030)
Total Consumer	**4,358,789**	4,617,725	(258,936)
Wireline – Business			
Video – Cable	**37,110**	37,512	(402)
Video – Satellite	**40,090**	36,002	4,088
Internet	**182,123**	178,270	3,853
Phone	**390,272**	387,660	2,612
Total Business	**649,595**	639,444	10,151
Total Wireline	**5,008,384**	5,257,169	(248,785)
Wireless			
Postpaid	**1,739,289**	1,482,175	257,114
Prepaid	**377,082**	339,339	37,743
Total Wireless	**2,116,371**	1,821,514	294,857
Total Subscribers	**7,124,755**	7,078,683	46,072

Shaw and Rogers Transaction

On March 15, 2021, Shaw announced that it entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Non-Voting Participating Shares ("Class B Shares") in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Transaction").

Holders of Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively, the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash. As at March 13, 2021, when the Arrangement Agreement was signed, the value of the consideration attributable to the Class A Shares and Class B Shares held by the Shaw Family Shareholders (calculated using the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021) was equivalent to $40.50 per share.

The Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw's Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen's Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen's Bench of Alberta issued a final order approving the plan of arrangement.

The Transaction remains subject to other customary closing conditions including approvals from certain Canadian regulators. Shaw and Rogers are working cooperatively and constructively with the Competition Bureau, Innovation, Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC) in order to secure the requisite approvals. Subject to receipt of all required approvals and satisfaction of all closing conditions, closing of the Transaction is expected to occur in the first half of 2022.

Redemption of Shaw's Preferred Shares

Pursuant to the terms of the Arrangement Agreement, on May 20, 2021, Rogers exercised its right to require the Company to redeem all of its issued and outstanding Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "Series A Shares") and Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "Series B Shares", and together with the Series A Shares, the "Preferred Shares") at the redemption price of $25.00 per share (the "Redemption Price") plus any accrued and unpaid dividends up to but excluding the redemption date of June 30, 2021 (the "Redemption Date").

On June 30, 2021, the Company redeemed all of its issued and outstanding Preferred Shares in accordance with their terms (as set out in the Company's articles) at the Redemption Price, less any tax required to be deducted or withheld.

On the Redemption Date, there were 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. Accordingly, the aggregate Redemption Price paid by Shaw on the Redemption Date to redeem the Preferred Shares was $300 million.

Further information regarding the Transaction is contained in the management information circular filed April 23, 2021 on Shaw's SEDAR profile at www.sedar.com and EDGAR profile at www.sec.gov/edgar.shtml.

Impact of Coronavirus (COVID-19) Pandemic

COVID-19 continues to significantly impact Canadians and economies around the world as we experience new waves and variants of the virus. The severity and duration of impacts from the COVID-19 pandemic remain uncertain and management continues to focus on the safety of our people, most of whom continue to work from home, connectivity of our customer base, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. In fiscal 2021, Shaw's networks have proven their resiliency and performed well despite the increase in usage and extended peak hours resulting from the impacts of COVID-19.

While the financial impacts from COVID-19 in fiscal 2021 were not material, the situation is still uncertain in terms of its magnitude, outcome, duration, resurgence and/or subsequent waves/variants. Consumer behavior impacts remain uncertain and could still change materially, including the potential downward migration of services, acceleration of cord-cutting and reduced ability to pay their bills, all due to the challenging economic situation. Shaw Business, which primarily serves the small and medium sized market, continues to be particularly vulnerable to COVID-19 related restrictions, including mandated business closures, capacity restrictions or further social distancing measures.

Despite the absence of material financial impacts, the pandemic affected the Company causing increased wireline network usage as well as extended peak hours. The Company also experienced increased demand for wireless voice services and a decrease in wireless roaming revenue.

The Company's business resumption plan, designed for the gradual and safe re-introduction of employees to the workplace, is being implemented in phases based on the current risks posed by the pandemic and in response to government-imposed restrictions on businesses and individuals. We continue to be in constant contact with public safety and government officials at all levels, as well as key suppliers, partners and customers. As at the date of this MD&A, the majority of our employees continue to work from home, but our retail stores have re-opened, albeit some in a reduced capacity.

The environment remains uncertain in terms of the pandemic's magnitude, outcome and duration. Consumer behaviors could still change materially, including the potential downward migration of services, acceleration of cord cutting and reduced ability of customers to pay their bills, all due to an unpredictably challenging economic situation. Shaw Business primarily serves the small and medium sized market, which is particularly vulnerable to COVID-19 related restrictions, including mandated business closures, capacity restrictions or further social distancing and/or vaccination verification measures.

As the COVID-19 pandemic continues to evolve, the Company's focus continues to be on the safety and health of its employees, the reliability of its network infrastructure, and the nimble responsiveness to our customers' needs.

As an ongoing risk, the magnitude, outcome, duration, resurgence and/or subsequent waves and variants of the COVID-19 pandemic is still unknown and subject to a significant amount of uncertainty at this time, as is the efficacy and duration of the government interventions. For further detail, see "Known Events, Trends, Risks and Uncertainties – Coronavirus (COVID-19)."

Fiscal 2021 Highlights

Despite the continued challenging environment created by the ongoing impact of the COVID-19 pandemic throughout the year, in fiscal 2021, our business delivered consolidated adjusted EBITDA growth of 4.6% year-over-year and free cash flow of approximately $961 million while demonstrating the resiliency and the critical nature of the connectivity services we provide.

To deliver a seamless connectivity experience in the fast-approaching 5G era, we announced our combination with Rogers on March 15, 2021, followed by resounding support from holders of the Class A Shares and Class B Shares at the special meeting to approve the combination held on May 20, 2021. Rogers and Shaw recognize that we can do so much more by coming together. Canadians, regardless of where they reside, need access to these vital services which requires significant ongoing investment, supported by a stable regulatory framework. Throughout the extraordinary change we have faced, the entire team at Shaw executed on its fiscal 2021 plan, ensuring that we continue to meet the needs of our customers. In the months ahead, we will collectively work in support of closing the transaction with Rogers.

In fiscal 2021, wireless investments included the deployment of 700 MHz spectrum, which is virtually complete in western Canada and 80% complete nationwide, and 600 MHz spectrum, which reached 80% in Calgary and 60% in Vancouver and the greater Toronto area (the "GTA"). While the network enhancements have contributed to improving postpaid churn results, the increased competitive activity, including the launch of unlimited plans and other aggressive offers in the market, resulted in postpaid churn of 1.41% in fiscal 2021, which is comparable to the previous fiscal year.

On April 6, 2021, ISED published its list of applicants to participate in the 3500 MHz spectrum auction, confirming that Shaw elected not to participate in the auction. The auction commenced in June 2021 and provisional results were published on July 29, 2021.

In fiscal 2021, Shaw Mobile continued its growth among consumers in British Columbia and Alberta who want to bundle their Shaw Wireline Internet services with mobile services.

Freedom Mobile continued to provide stable results in fiscal 2021 in the face of persistent competition in the wireless market and significant challenges with retail closures during the pandemic.

In fiscal 2021, the Company built upon its consumer Wireline offerings with the introduction of a new speed tier – Fibre+ Gig 1.5 – to the majority of its western Canadian Wireline operating footprint, specifically targeting heavy data users who require ultrafast speeds. The Company subsequently announced Shaw Gig WiFi with the release of the WiFi 6-certified Shaw Fibre+ Gateway 2.0 modem. Lastly, the Company completed the roll-out of its IPTV services to 99.5% of its Wireline operating footprint in western Canada.

Our Business division also continued to grow despite challenging economic and social circumstances. The introduction in February 2021 of a 1.5 gigabits-per-second (Gbps) speed tier addresses the growing demand of businesses for faster speeds and more bandwidth.

In fiscal 2021, the Company purchased 14,783,974 Class B Shares for cancellation for a total cost of approximately $336 million. In connection with the announcement of the proposed Transaction on March 15, 2021, the Company suspended share buybacks under its normal course issuer bid (NCIB) program. As at the end of fiscal 2021, the net debt leverage ratio was 2.3x[1].

[1] Net debt leverage ratio is a non-GAAP ratio and net debt, which is a component of net debt leverage ratio, is a non-GAAP financial measure. Net debt leverage ratio and net debt are not standardized measures under IFRS and may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for further information about this measure and ratio.

Global Technology Partnerships

Shaw has access to global-scale technology initiatives through partnerships with best-in-class service and equipment providers and innovation leaders. This approach allows us to leverage our existing assets, where we have strength and expertise, while also ensuring our investments are aligned with industry leaders to support the development, maintenance and advancement of new technology where it is impractical, or we lack scale, for us to do so on a standalone basis. This allows us to efficiently deploy capital resources, and manage our costs, while advancing the innovation, performance and reliability of our products and services.

We have a series of significant and strategic relationships with global leaders on the following initiatives:

- Shaw BlueCurve, a technology that provides customers with greater control over their home WiFi experience (through the BlueCurve Home app and Pods) and supports IPTV, is powered by the Fibre+ Gateway (XB6) and Fibre+ Gateway 2.0 (XB7) Data over Cable Interface Specification (DOCSIS) version 3.1 advanced WiFi modems developed by Comcast (see discussion under "Consumer Services");
- the deployment of our wireless LTE network, which was designed, planned, and deployed in partnership with NOKIA, a global leader in mobile wireless technology and solutions (see discussion under "Wireless"); and
- our "Smart" suite of business services that includes SmartWiFi, SmartTarget, SmartSecurity, SmartSurveillance, and Smart Remote Office, each in collaboration with Cisco Meraki, as well as SmartVoice in collaboration with Broadsoft (see discussion under "Business Services").

WIRELESS

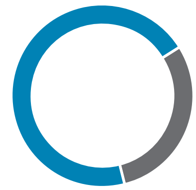
2021 Wireless Revenue

$1,272 MILLION

70% Service

30% Equipment and other

2020 Wireless Revenue



$1,166 MILLION

70% Service

30% Equipment and other

	2021		2020	
(millions of Canadian dollars)	$	Increase	$	Increase
Service	**891**	**9.3%**	815	17.4%
Equipment and other	**381**	**8.5%**	351	(0.6%)
Wireless revenue	**1,272**	**9.1%**	1,166	11.4%
Adjusted EBITDA [1]	**393**	**16.6%**	337	69.3%

(1) See "Key Performance Drivers" for more information about this non-GAAP financial measure.

Our Wireless division provides wireless voice and data services with the option of postpaid or prepaid billing. Our Wireless division was formed following the acquisition of Wind Mobile (now Freedom Mobile) in March 2016. Our Wireless division covers approximately 50% of the Canadian population with Shaw Mobile currently operating in British Columbia and Alberta markets and Freedom Mobile providing services in British Columbia, Alberta, and Ontario markets.

Freedom Mobile Big Gig Unlimited, Absolute Zero and Prepaid Plans

In fiscal 2021, Freedom Mobile continued its Big Gig Unlimited and Absolute Zero campaigns. Paired with popular devices and the strength and capacity of our LTE network, our Big Gig Unlimited and Absolute Zero plans continue to be available to Canadians.

Freedom Mobile customers can either bring their own device to the network or participate in one of Freedom Mobile's discretionary wireless handset discount plans – MyTab or Absolute Zero. MyTab allows Freedom Mobile customers to pay a discounted price for a handset upfront and a predetermined monthly Tab charge in addition to the rate plan cost. Absolute Zero allows Freedom Mobile customers to receive an eligible handset for $0 upfront, $0 extra per month and $0 owing after 24 months.

Growth of Shaw Mobile

On July 30, 2020, the Company launched Shaw Mobile in western Canadian markets. Leveraging Shaw's LTE and Fibre+ networks, along with Canada's largest WiFi service, Shaw Mobile provides Shaw Internet customers with an innovative, more valuable connectivity experience.

Through fiscal 2021, western Canadians have enjoyed the value that Shaw Mobile paired with Shaw's Fibre+ network delivers. Shaw Mobile provides Shaw Internet customers with attractive bundling opportunities, combined with the ability to customize their mobile data requirements through two rate plans – By The Gig and Unlimited Data.

Wireless Distribution Network

In fiscal 2021, Freedom Mobile continued to modernize Freedom-branded stores across the country with the key focus on maximizing customer experience and the safety of both our customers and employees considering the COVID-19 environment. Freedom Mobile's full suite of products continue to be available in over 800 locations across Ontario, Alberta, and British Columbia through our corporate, dealer, and retail partners. In addition, we have over 300 "countertop" and "grab & go" locations in independent retail outlets and store-within-a-store environments, catering specifically to the prepaid market.

During fiscal 2021, the Shaw Mobile retail presence expanded by adding 11 net new locations to our corporate network for a total of 32 as at August 31, 2021. Combined with our national retail partners, Walmart and Loblaws and a new partnership launched in August 2021 with Best Buy, Shaw Mobile is now available at over 200 retail locations in Alberta and British Columbia.

During the lockdowns and store closures in response to COVID-19, the Company fostered the continued growth of its total Wireless subscriber base by introducing self-serve options and activations: Shaw Mobile, through SIM card distribution to existing customers and Freedom Mobile through online ordering of prepaid services and online chat to order postpaid services.

Wireless Network Upgrades

Supporting our Wireless revenue growth are the investments we made in our wireless LTE network and customer service capabilities. Wireless network investments to improve the customer experience continue to be a priority in the areas in which we operate and serve Wireless customers. Through years of thoughtful and strategic capital investing, we have evolved our facilities-based wireless network to meet the needs of our Shaw Mobile and Freedom Mobile customers. See "Shaw's Wireless Network" for further details on Shaw's wireless network upgrades.

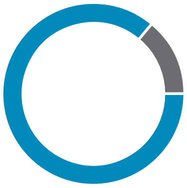
Seasonality in Wireless Subscriber Activity

Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of wireless competitive activity as a result of back to school and holiday season-related consumer behaviour. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireless business does not depend on any single customer or concentration of customers.

Furthermore, due to uncertainties relating to the severity, duration, and continuing impact of the COVID-19 pandemic, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on our Wireless business and future financial results. Therefore, the trends experienced during the COVID-19 pandemic, including impacts on consumer demand and spending, may not fully reflect the typical seasonal variations experienced by our Wireless business. Accordingly, it is difficult at this time to evaluate the impacts of the COVID-19 pandemic on the seasonality trends that normally characterize our Wireless business.

WIRELINE

2021 Wireline Revenue

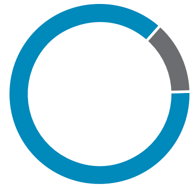


$4,249 MILLION

86% Consumer

14% Business

2020 Wireline Revenue



$4,250 MILLION

87% Consumer

13% Business

(millions of Canadian dollars)	2021 $	2021 Increase / (Decrease)	2020 $	2020 Increase / (Decrease)
Consumer	**3,665**	**(0.5%)**	3,683	(1.6%)
Business	**584**	**3.0%**	567	1.8%
Wireline revenue	**4,249**	**—**	4,250	(1.2%)
Adjusted EBITDA [1]	**2,107**	**2.6%**	2,054	5.1%

[1] See "Key Performance Drivers" for more information about this non-GAAP financial measure.

In our Wireline business, we have focused on enhancing our Fibre+ network and the in-home WiFi experience with Gig WiFi. In fiscal 2021, we continued to streamline and simplify manual processes that improve the customer experience and day-to-day operations for our employees, while still providing the necessary in-person engagements to support the customer experience.

In fiscal 2021, our focus remained on profitable growth and stable Wireline results. This included growth in higher quality Internet subscribers and improving overall customer account profitability by attracting and retaining higher value households with our 2-year ValuePlans for those who want faster Internet with a better customer experience in addition to Video and Wireless services. Through our introduction of Shaw Mobile and the bundling opportunities it provides, in fiscal 2021, more customers migrated to our higher tier Fibre+ Internet offerings which resulted in lower Internet churn.

Consumer Services

Our Consumer division provides residential customers with connectivity experiences on two platforms:

- **Wireline Services** – we provide broadband Internet, Shaw Go WiFi, Video and Phone services to customers connected to our local and regional Fibre+ network in British Columbia, Alberta, Saskatchewan, Manitoba and northern Ontario
- **Satellite Services** – we provide satellite Video services through Shaw Direct to customers across Canada

Internet

Shaw's residential Internet service offering is segmented into the following three tiers:

1. Fibre+ Max;
2. Fibre+ Essentials; and
3. Fibre+ Basics

to provide our consumers with a choice of download speeds ranging from up to 10 megabits-per-second (Mbps) to up to 1.5 Gbps.

In fiscal 2021, we continued to make investments in our Shaw Fibre+ network to meet the unprecedented demands for Internet access from our customers in fiscal 2021. We also introduced new services that respond to these rapidly evolving demands, while also aligning with our focus on profitable growth and stability.

In November 2020, the Company announced the launch of Fibre+ Gig 1.5 – a new Internet plan designed to provide gamers, streamers and other heavy data users with the speed and bandwidth they need for the many connected devices and data-heavy applications they use every day at home.

For our customers with harder to reach areas in their homes, Shaw's Fibre+ WiFi Pods create a mesh WiFi network to improve the overall customer experience. In September 2020, the Company introduced its next generation Fibre+ WiFi Pods to customers in Manitoba and Ontario, and to all customers in our Wireline operating footprint in December 2020. The new Pods are faster and have more range than the first generation which allows the Fibre+ Gateway modem to provide even more consistent WiFi coverage throughout the home by reducing WiFi dead spots.

In April 2021, the Company deployed its next generation Fibre+ Gateway 2.0 modem, powered by Comcast, which, as the first WiFi 6-certified modem in Canada, paved the way for the launch of Shaw Gig WiFi to most of our major markets in western Canada. Shaw Gig WiFi delivers WiFi download speeds across multiple devices of up to 1 Gbps, with reduced latency and a more consistent WiFi signal for our customers to connect all their devices at home. The Fibre+ Gateway 2.0 modem also includes a 2.5 Gbps port and can enable speeds beyond 1 Gbps to a wired device and/or multiple wireless devices in aggregate.

With over 3.6 million devices authenticated on our network and over 110,000 public access points covering locations from British Columbia to Ontario, we continue to see growth in usage of our Shaw Go WiFi network for Shaw Internet and Wireless customers. As an added value proposition, Wireless customers have access to over 950,000 additional "hotspots" by way of our Home Hotspot deployment.

In fiscal 2021, we continued to focus on our 2-year ValuePlans, which provide customers with price certainty over the term and resulted in lower churn rates on those plans.

Video

Our Wireline Video services offer a wide selection of standard definition (SD) and high definition (HD) television channels with access to a large selection of on-demand titles, including both free and paid movies, television shows, and music content.

Our Video customers can choose pre-selected packages with the most popular channels or start with a basic primary package and then add additional channels from a variety of sports, family, and other theme specialty packages, as well as individual channels offered on a channel-by-channel basis.

Leveraging our strategic partnership with Comcast, in fiscal 2021, we completed the deployment of our all-IP Video services, which are now available across 99.5% of our western Canadian Wireline operating footprint. We also continued to add new over-the-top (OTT) apps, including StingRay Music, Hayu, and Fite TV.

Our customers also have access to the BlueCurve TV app, which is free for all Shaw Video (Cable and Shaw Direct) customers and makes their TV subscription available over the Internet and on mobile devices. This includes access to live TV, video-on-demand, up to 200 hours of a customer's personal video recordings (PVR) from the cloud, and the ability to download any recordings to take on the go. In fiscal 2021, we enhanced Shaw TV by enabling customers to cast content from the BlueCurve TV app to their Chromecast-enabled devices.

Phone

Our Phone service offers a full-featured residential digital telephone service through our wireline network as a complement to our broadband Internet and Video services.

Broadcast Services

Shaw Broadcast Services utilizes our satellite network to provide distribution of English, French, third-language, Canadian, US, and International television and radio programming services to hundreds of multichannel operators.

Wholesale Wireline Network Services

Using our national and regional access wireline networks, we provide services to Internet service providers (ISPs), other communications companies, broadcasters, governments, and other businesses and organizations that require end-to-end Internet and data connectivity in Canada and the United States. We also engage in public and private peering arrangements with high-speed connections to major North American, European, and Asian networks and other tier-one backbone carriers. All service solutions are sold on 1, 3, or 5-year contract terms and pricing is negotiated based on the specific solution provided to the customer.

Satellite Services

Shaw Direct connects families across Canada with video and audio programming by satellite. Shaw Direct customers have access to over 370 digital video channels (including over 350 HD channels) and thousands of on-demand, pay-per-view (PPV) and subscription movie and television titles. In May 2020, the Company completed network upgrades which provided the ability for us to deliver English and French services in HD where available.

Our satellite customers are offered flexibility with each of our current primary TV packages, which include a base set of channels and tiered customization options depending on the size of the TV package. Shaw Direct customers can further customize their TV packages by adding additional theme packs, premium packages, and individual channels.

Shaw Direct is one of two licensed satellite Video services currently available across Canada. While Shaw Direct has many customers in urban centres, market penetration for satellite Video is generally stronger in rural areas. The service is marketed through Shaw Direct and a nationwide distribution network of third-party retailers.

During fiscal 2021, Anik F1R reached the end of its serviceable life and was decommissioned. The Company consolidated all Shaw Direct services onto two satellites, Anik G1 and Anik F2. Additional capacity was secured on Anik F3 to support C-band distribution provided by Shaw Broadcast Services.

A listing of our satellite capacity is provided below as at August 31, 2021:

Shaw Satellite Transponders

Transponders	Interest	Nature of Satellite
Anik G1	16 xKu-band	Leased
Anik F2	22 Ku-band	Leased[1]
Anik F3 [2]	1 C-band	Leased

(1) Effective October 1, 2019, the Company transferred its interest in 16 Anik F2 transponders, which it previously owned, back to Telesat Canada ("Telesat"), adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements on 6 Anik F1R Ku-band transponders and 16 Anik F2 Ku-band transponders until the effective end-of-life date of such satellites.

(2) With Anik F1R reaching its end of serviceable life in fiscal 2021, Shaw leased capacity on Anik F3 to continue to provide distribution for a Shaw Broadcast Services customer on C-band to enable the customer to distribute its signals primarily throughout the arctic.

Seasonality in Consumer Subscriber Activity

While financial results for the Consumer division are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Further, satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Our Consumer Video business does not depend on any single customer or concentration of customers.

Furthermore, due to uncertainties relating to the severity, duration and continuing impact of the COVID-19 pandemic, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on our business and future financial results. Therefore, the trends experienced during the COVID-19 pandemic, including impacts on consumer demand and spending, may not fully reflect the typical seasonal variations experienced by our Consumer Wireline business. Accordingly, it is difficult at this time to evaluate the impacts of the COVID-19 pandemic on the seasonality trends that normally characterize our Consumer Wireline business.

BUSINESS

Business Services

Shaw Business provides connectivity solutions to business customers of all sizes, from home offices to medium and large-scale enterprises, by leveraging our business grade Fibre+ and fibre-to-the-premise (FTTP) networks.

The range of services offered by Shaw Business includes:

Fibre Internet

Our scalable, symmetrical fibre Internet solutions offer download speeds that range from up to 10 Mbps to more than 10 Gbps.

Business Internet

Shaw Business customers can choose from four packages with download speeds ranging from up to 75 Mbps to up to 1.5 Gbps. Each package comes with unlimited data usage as well as one dynamic and one static IP address.

In fiscal 2021, we announced the launch of a new 1.5 Gbps speed tier designed to give businesses of all sizes the speeds and bandwidth they need to use the data-heavy applications and cloud services required to manage and grow their operations. This new speed tier allows both new and existing customers to access download speeds up to 1.5 Gbps through one of two plans – Business Internet Gig 1.5 and SmartWiFi Gig 1.5.

Data Connectivity

Shaw Business provides secure private connectivity for business customers operating at multiple locations or connecting branch locations to a head office. Our Ethernet over DOCSIS (EoD) data service offers our customers symmetrical data speeds of up to 100 Mbps.

Voice Solutions

Shaw Business offers voice solutions from traditional analog to digital Business Phone and robust, fully-managed voice systems with unified communications functionality.

In addition to competitive long-distance rates across the globe and month-to-month uncontracted rates, Shaw Business Phone customers have 2, 3, and 5-year contract options to provide cost consistency for their business.

Video

Shaw Business provides Video and audio services for public viewing. Similar to our Consumer Video service, Business cable and satellite customers can choose from a selection of primary channel packages and may add from a variety of sports, family, and other theme specialty packages, and a number of individual channels that we offer on a channel-by-channel basis.

In February 2021, Shaw Business launched Community Living WiFi. Similar to our Hotel WiFi Casting product, Community Living WiFi provides a new market, independent senior facilities, with connectivity that allows their residents to cast video content from their personal devices to the television in their suite. This property management solution streamlines the guest authentication experience and is an entirely cloud-based solution that gives property owners the ability to monitor usage and network status.

Broadcast Video

Shaw Business delivers high-quality Video to service providers across North America in real time.

Collaboration Tools

Shaw Business offers a robust collaboration product offering, including Microsoft 365 to small and medium sized businesses. The solution includes Microsoft 365 Business Basic and Business Standard products.

Smart Suite Services

Shaw Business collaborates with global scale technology leaders to offer its “Smart” suite of managed business communications solutions. The Smart suite of services provides cost-effective enterprise grade managed IT and communications solutions for businesses of all sizes.

The Smart suite of services includes:

SmartVoice

SmartVoice is a unified communications solution that integrates instant messaging, presence, email, video conferencing, and a mobile application that is built on Broadsoft’s BroadWorks platform. From comprehensive traditional phone features such as auto-attendant, hunt groups, and call recording to collaboration tools such as instant messenger and screen sharing, SmartVoice gives businesses the flexibility to work in innovative and efficient ways.

SmartVoice offers three different levels of packaging based on business needs and is available on 2, 3, or 5-year contract terms.

SmartWiFi

SmartWiFi is a fully-managed Internet solution deployed over Cisco Meraki’s platform that provides wireless connectivity for employees, customers, and guests in the business location. SmartWiFi also enables access to a cloud portal where customers can manage their service, configure their set service identifiers (SSIDs) to gain insight from network analytics, and create a custom dashboard.

Available at download speeds of up to 75 Mbps, 300 Mbps, 750 Mbps, 1 Gbps, and 1.5 Gpbs and including wireless access points, SmartWiFi provides our Shaw Business customers with WiFi coverage on 1, 2, 3, or 5-year contract terms.

In the first quarter of fiscal 2021, we began increasing upload speeds for certain SmartWiFi packages. We also upgraded our 600 Mbps speed tier to 750 Mbps and introduced a new tier – SmartWiFi 300 with download speeds of up to 300 Mbps paired with upload speeds of up to 125 Mbps.

Smart Remote Office

Smart Remote Office allows business customers' employees to securely connect to their head office from anywhere. Smart Remote Office is a plug-and-play, no-touch provisioning solution that provides security and virtual private network (VPN) tunneling for employees working remotely.

SmartSecurity

SmartSecurity is a fully-managed network security platform deployed over Cisco Meraki's platform that protects a wired and WiFi network at the edge with access control, virus protection, the ability to control which applications run on the network, content filtering, and the connection of branch locations. A SmartSecurity premium package also includes the ability to set-up a secure VPN.

Shaw Business also offers LTE Backup, an add-on service for SmartSecurity which provides redundancy through a secondary Internet connection that ensures seamless and automatic failover in case of an outage.

SmartSecurity is available when bundled with SmartWiFi or Business Internet on 3 or 5-year contract terms.

SmartSurveillance

SmartSurveillance is a fully-managed, enterprise-grade security camera solution deployed over Cisco Meraki's platform. Managed through a cloud-portal, SmartSurveillance enables business owners to view footage and manage their cameras from anywhere using an intuitive on-line dashboard.

Sophisticated features, such as motion-based search and heat mapping, allow owners to quickly find footage of interest and identify activity patterns. SmartSurveillance can be bundled with SmartWiFi or Business Internet 75 and above on a 3 or 5-year contract term.

SmartTarget

SmartTarget is an all-in-one marketing and advanced insights solution that leverages the power of SmartWiFi and a new technology to give business owners a better understanding of their customers' wants and needs to help increase traffic at their physical locations, boost revenue, and build relationships with their customers.

With SmartTarget available as an add-on service to Shaw's SmartWiFi, business owners can get customer demographic insights when visitors join the business owner's guest WiFi network. Once their visitors/customers have opted-in, business owners can use the SmartTarget solution to create targeted emails, surveys, and coupons to help increase customer loyalty, build relationships, and boost store revenues.

Software Defined Wide Area Network (SD-WAN)

SD-WAN provides businesses with a better way to connect multiple offices in a scalable and cost-effective manner on a cloud-managed platform. With integrated security, multiple Internet links, seamless LTE failover, and intelligent path control, SD-WAN enables companies to deploy a resilient, cost-effective, and high-bandwidth connectivity solution.

Powered in partnership with Cisco Meraki, SD-WAN sites are connected by Internet links secured by our SmartSecurity service which provides network protection and cloud-based security policy updates to protect businesses from the latest vulnerabilities and network threats.

Session Initiation Protocol (SIP) Trunking

Our next-generation SIP Trunking solution, on the Broadsoft platform, delivers a centralized voice solution managed in an easy-to-use cloud portal. SIP allows customers to pay only for what they need with the ability to scale the system quickly as their businesses grow.

The integration with Broadsoft's platform provides businesses with access to unified communications features such as video conferencing, call queuing, and auto-attendant as well as the ability to join offices with SmartVoice and SIP into the same environment to reduce costs and increase efficiency.

Business Subscriber Activity

Despite the challenging circumstances due to the impacts of COVID-19 and the fact that 70% of Shaw Business revenue comes from the highly impacted small to medium sized business sector, Shaw Business still managed to achieve year-over-year revenue growth of approximately 3%. The majority of growth came from our small to medium sized business channel which demonstrates the resilience of this sector, the strength of our Smart suite of products, targeted "back to business promotions" and our sales efforts.

Our Converged Network

Throughout the challenging and unprecedented events brought about by the COVID-19 pandemic, we are proud of the strength of our converged networks, which are not just the core of our digital infrastructure – they are the backbone of our country's social and economic wellbeing. Connectivity has never been more critical for Canadians, and the importance of converged networks will only grow with Canada's accelerating digital transformation.

Shaw's Wireline Network

Our Fibre+ network combines the power of fibre, coaxial cable, and WiFi, and consists of our:

- North American fibre backbone;
- regional fibre optic and co-axial distribution networks; and
- local Shaw Go WiFi connectivity.

In fiscal 2021, Shaw launched its Fibre+ 1.5 Gigabit speed tier to the majority of its western Canadian Wireline operating footprint, while also increasing the upload speed of its Fibre+ 300, 750, Gig and 1.5 Gig tiers to up to 100 Mbps. Both of these upgrades were enabled by the deployment of DOCSIS 3.1 and Shaw's industry leading Mid-Split program, which significantly expands usable spectrum on the coaxial "last-mile" of Shaw's Fibre+ network.

The challenges and disruptions associated with the COVID-19 pandemic continued to drive increased network usage and extended peak hours in fiscal 2021. Despite the unprecedented and sustained increase in network demands, Shaw was able to maintain our virtually congestion free Internet experience, regardless of the time of day. Prior investments in our network infrastructure, and our Mid-Split upgrade in particular, allowed Shaw to quickly and seamlessly activate additional capacity. The design and resilient nature of Shaw's regional distribution and backbone networks also ensured our services remained stable during this time. The COVID-19 pandemic highlighted the critical importance of efficient, ongoing investment in facilities-based broadband networks.

Wireline Backbone

The backbone of Shaw's wireline network includes terabits of capacity over multiple fibres on two diverse cross-North America routes. The southern route principally consists of approximately 7,000 route kilometres of fibre located on routes between Seattle and New York City (via Vancouver, Calgary, Regina, Winnipeg, Toronto, Chicago, and Buffalo). The northern route consists of approximately 5,000 route kilometres of fibre between Prince George and Montreal (via Edmonton, Saskatoon, Winnipeg, Thunder Bay, Toronto, and Ottawa). Current fibre construction to extend our northern route from Prince George to North Vancouver is underway in collaboration with the federal government's Connect to Innovate and Connecting British Columbia programs.

These routes, along with a number of other secured capacity routes, provide redundancy for the network. Shaw also uses a marine route consisting of approximately 330 route kilometres from Seattle to Vancouver (via Victoria), and has secured additional capacity on routes between a number of cities, including (i) Vancouver and Calgary, (ii) Seattle and San Jose, (iii) Seattle and Calgary, (iv) Seattle and Vancouver, (v) Toronto and New York City, (vi) Toronto and Montreal, (vii) Edmonton and Fort McMurray, and (viii) Denver and Calgary.

During fiscal 2021, Shaw continued to increase the capacity on numerous backbone links to stay ahead of COVID-19 related growth in traffic.

Regional Distribution Network

We connect our backbone network to residential and business customers through our regional fibre optic and Fibre+ distribution networks.

Over the past decade, Shaw has driven fibre optic cable into every neighborhood we serve. Today, our customers' Internet traffic runs over a route comprising over 99.9% fibre optic cable. In the last few hundred metres between our fibre nodes in customers' neighborhoods and the home or business we serve, we leverage coaxial cable to deliver gigabit speeds to over 99% of our residential customers located in our western Canadian Wireline operating footprint. In 2020, we officially rebranded our broadband tiers to "Fibre+" to reflect the true nature of our network and to better articulate the strength of our network technology and strategy.

In fiscal 2021, we continued to leverage our DOCSIS 3.1 technology and Fibre+ Gateway 2.0 modem to launch our Fibre+ 1.5 Gig speed tier to the majority of homes and businesses across our western Canadian Wireline operating footprint. In fiscal 2021, we completed our Mid-Split program in our top 5 markets, and as of the date of this MD&A, the Mid-Split program was substantially completed across our western Canadian operating footprint. This upgrade allowed us to increase the upstream and downstream capacity available on our Fibre+ distribution network. Shaw was also able to quickly leverage this capacity during the COVID-19 pandemic to not only prevent network congestion, but to also launch our new Fibre+ Gig and 1.5 Gig speed tiers to virtually every home we serve in our western Canadian Wireline operating footprint.

In fiscal 2021, Shaw continued to optimize the capacity and efficiency of our wireline network by deploying fibre optic cable deeper into our access networks and closer to where our customers reside. We continue to increase the number of optical serving areas or "nodes" in the wireline network. This is a continuous process that we apply year-over-year to increase fibre optic usage in our wireline network. Driving fibre deeper into our network also supports wireless and business service deployments, as well as future services such as 5G, FTTP, or the newly released DOCSIS 4.0 specification, which are all potential building blocks for multi-gigabit symmetrical services over our existing infrastructure.

Additionally, in fiscal 2021, Shaw continued to leverage our converged network to enable the rapid and flexible deployment of small cells in support of our wireless network and preparations for 5G, due to the ability of our Fibre+ network to transport both power and multi-gigabit data speeds on one cable.

Shaw Go WiFi

Shaw has built Canada's most extensive WiFi network, Shaw Go WiFi. Shaw Go WiFi broadens a Shaw Internet customer's broadband experience beyond the home as a valuable extension of our customer wireline network experience. Over 3.6 million devices have authenticated to our carrier-grade Shaw Go WiFi network and there are over 110,000 public access points used by our customers in coffee shops, restaurants, gyms, malls, public transit, and other public spaces covering locations from British Columbia to Ontario. In addition to these public access points, Wireless customers can seamlessly access more than 950,000 Home Hotspots across western Canada, making it easier to stream and download at a friend's or relative's home.

In fiscal 2021, we continued investing in Shaw Go WiFi by upgrading some of the core elements and significantly increasing the number of Home Hotspots available for Wireless customers.

Shaw's Wireless Network

Supporting our Wireless revenue growth are the significant investments in our wireless network and customer service capabilities. We continued to execute on our operating plan to improve our network and deploy spectrum in an efficient manner. Wireless network investments to improve the customer experience continued to be a priority in the areas in which we operate and serve customers.

Shaw partnered with NOKIA to roll-out our next generation LTE wireless network in our existing markets in Ontario, Alberta, and British Columbia. In fiscal 2021, we continued to deploy our Extended Range LTE network, which leverages our 700 MHz wireless spectrum, to provide customers with improved in-building coverage as well as extending coverage. At the end of fiscal 2021, the deployment of our 700 MHz spectrum was virtually complete in western Canada and approximately 80% complete nationwide.

In fiscal 2021, Shaw continued to deploy its 600 MHz spectrum. At the end of fiscal 2021, the deployment of 600 MHz reached 80% coverage in Calgary and 60% coverage in Vancouver and the GTA.

In fiscal 2021, the Company continued to deploy small cell technologies (low powered wireless antennas and receivers with a range of 100m – 200m) designed to enhance coverage and performance in dense urban locations. As high-power towers keep the network signal strong across large distances, small cells suit more densely developed areas like city centres and popular venues by providing LTE/VoLTE quality speed, capacity, and coverage improvements in these high traffic areas. The deployment of small cell technology was further enhanced by the activation of additional macro sites and the recent upgrades to our Fibre+ network that provide the ability to power and backhaul network traffic.

In fiscal 2021, our operational support systems were enhanced to streamline customer activation capabilities and provide proactive monitoring capabilities to assist our operational teams with awareness of potential service issues in order to address them before they arise or to mitigate customer impact.

Private Wireless Networks

Shaw continues to provide Canadian market leadership in the Private Wireless Network space and build on its momentum, specifically within the mining industry. A Private Wireless Network (previously referred to as "Private LTE") is a complete, standalone cellular network that is used exclusively by the end customer for their business operations. In fiscal 2021, our first customer, Teck Resources Limited ("Teck"), moved to the production phase in their Private Wireless Network, enabling Autonomous Haulage Services at their Elkview operations in Sparwood, British Columbia. Contracts were also awarded for Teck's Highland Valley Copper Operations near Logan Lake, British Columbia in 2021.

Shaw continues to work with other industry partners to develop and deploy Private Wireless Networks.

Spectrum Holdings

Our Wireless division holds spectrum licences in British Columbia, Alberta, southern Ontario, and eastern Ontario. In some cases, licences are issued on a Tier 2 basis, which cover the relevant province or a large region within the relevant province. In other cases, licences are issued on a Tier 3 basis, which cover smaller regions within a province. On a Tier 2 basis, the Wireless division currently holds 40-50 MHz of AWS-1 and AWS-3 spectrum, 30 MHz of 600 MHz spectrum, and 10 MHz of 700 MHz spectrum in each of British Columbia, Alberta, and southern Ontario. In the Tier 2 area of eastern Ontario, the Wireless division holds 20 MHz of 600 MHz spectrum and 10 MHz of AWS-1 spectrum. In some Tier 3 regions within British Columbia, Alberta, southern Ontario, and eastern Ontario, the Wireless division holds an additional 0-40 MHz of 2500 MHz spectrum and 0-10 MHz of AWS-1 spectrum.

Climate Change and Environmental Responsibility

Shaw is committed to delivering a seamless connectivity experience to Canadians in an environmentally responsible and sustainable manner. A key focus area for the Company involves efficiency and innovation, which includes:

- **Reducing Consumption** – we support efforts to reduce employee, customer and enterprise consumption of:
  - a) Energy – through the use of energy efficient technologies;
  - b) Water – by reducing water consumption in Shaw owned buildings; and
  - c) Paper – by continuing to promote e-bill and efficient printing behaviours amongst employees and customers to reduce paper use by shifting interactions to digital platforms as part of the Company's digital transformation.
- **Waste Reduction** – to reduce employee, customer and enterprise waste we have implemented waste diversion and e-waste recycling programs and reduced single-use items in our marketing campaigns and packaging.
- **Reducing Carbon Emissions** – to reduce Shaw's carbon footprint through reduction (e.g., LED lighting, high-efficiency boilers, e-billing, reduced truck rolls due to increased consumer self-install of customer premises equipment (CPE)) and market-based instruments (e.g., renewable energy, offsets);
- **Engagement and Awareness** – to continuously drive employee, customer and enterprise awareness of Shaw's environmental initiatives. Engaging employees in our journey – through the establishment of green teams, earth week, and waste reduction initiatives – to advance our goals of educating and sharing common beliefs and values around environmental sustainability.

Shaw is also a signatory of the Canadian Energy Efficiency Voluntary Agreement (CEEVA) with respect to Set-Top Boxes (STBs) and Small Network Equipment (SNE). CEEVA aims to significantly reduce the total annual energy consumption used by STBs and SNEs in Canada.

Environmental and Social Governance

On December 7, 2020, Shaw issued its inaugural environmental, social and governance (ESG) report to provide stakeholders (i.e., customers, employees, investors, supply chain partners and regulators) with an overview of our ESG program, including Shaw's goals and actions. Shaw's ESG report can be found at https://www.shaw.ca/corporate/environmental-social-governance.

GOVERNMENT REGULATIONS AND REGULATORY DEVELOPMENTS

Substantially all of the Company's Canadian business activities are subject to regulations and policies established under various pieces of legislation, including the *Broadcasting Act* (Canada) ("*Broadcasting Act*"), the *Telecommunications Act* (Canada) ("*Telecommunications Act*"), the *Radiocommunication Act* (Canada) ("*Radiocommunication Act*"), and the *Copyright Act* (Canada) ("*Copyright Act*"). Regulation of broadcasting and telecommunications is generally administered by the Canadian Radio-television and Telecommunications Commission (CRTC or the "Commission") under the supervision of the Department of Canadian Heritage ("Canadian Heritage") and ISED, respectively. The allocation and use of wireless spectrum in Canada are governed by spectrum licences issued by, and radio authorization conditions set by, ISED pursuant to the *Radiocommunication Act*.

Limits on Non-Canadian Ownership and Control

Neither a holding company that has a subsidiary operating company licensed under the *Broadcasting Act*, nor any such licensee, may be controlled in fact by non-Canadians, the determination of which is a question of fact within the jurisdiction of the CRTC. Pursuant to the Direction to the CRTC (Ineligibility of Non-Canadians) (the "Direction"), non-Canadians are permitted to own and control, directly or indirectly, up to 33.3% of the voting shares and 33.3% of the votes of a holding company that has a subsidiary operating company licensed under the *Broadcasting Act*. In addition, up to 20% of the voting shares and 20% of the votes of a licensee may be owned and controlled, directly or indirectly, by non-Canadians. As well, the chief executive officer (CEO) and not less than 80% of the board of directors of the licensee must be resident Canadians. There are no restrictions on the number of non-voting shares that may be held by non-Canadians at either the holding company or licensee level. If a holding company of a licensee does not satisfy the requirement that 80% of its board of directors be resident Canadians, it must have a CRTC-approved Independent Programming Committee (IPC) in place to ensure that neither the holding company nor its directors exercise control or influence over the programming decisions of its subsidiary licensee. With CRTC approval, Shaw has implemented an IPC to comply with the Direction.

Limits on non-Canadian ownership apply to certain Canadian carriers pursuant to the *Telecommunications Act*, the *Radiocommunication Act* and associated regulations, except that there is no requirement that the CEO be a resident Canadian of a company operating pursuant to those Acts. Instead, the *Telecommunications Act*, the *Radiocommunication Act* and associated regulations require only that 80% of the voting shares of such entities be held by resident Canadians. The Canadian ownership requirements do not apply to wireline and wireless telecommunications carriers that have annual revenues from the provision of telecommunications services in Canada that represent less than 10% of the total annual revenues for the sector.

The Company's Articles contain measures to ensure the Company continues to comply with applicable Canadian ownership requirements and its ability to obtain, amend, or renew a license to carry on any business. Shaw must file a compliance report annually with the CRTC confirming that it is eligible to operate in Canada as a telecommunications common carrier.

Broadcasting Act

Pursuant to the *Broadcasting Act*, the CRTC is mandated to regulate and supervise all aspects of the broadcasting system in a flexible manner. The *Broadcasting Act* requires broadcast distribution undertakings (BDUs) to give priority to the carriage of Canadian services; to provide efficient delivery of programming services at affordable rates; to provide reasonable terms for the carriage, packaging and retailing of those programming services; and provides the option to operate a community channel. Under the *Broadcasting Act*, the Governor in Council (GIC) may issue broad policy directions of general application on matters with respect to the objectives of Canada's broadcasting policy and related regulatory policy.

The *Broadcasting Act* also sets out requirements for programming services with respect to Canadian content. The Company's broadcasting distribution business and on-demand programming services depend on licences (or operate under an exemption order) granted and issued by the CRTC under the *Broadcasting Act*. Pursuant to CRTC regulations, the Company is required to contribute 5% of its cable and direct-to-home (DTH) BDUs' gross revenues to support the production of Canadian programming.

Licensing and Ownership

The Company's cable licences are subject to a five-year term, expiring August 31, 2023. The Company's DTH and Satellite Relay Distribution Undertaking (SRDU) licences are subject to a seven-year term, expiring August 31, 2026.

The Company's on-demand licence is subject to a five-year term expiring August 31, 2022. The Company's terrestrial and DTH PPV licences are both subject to five-year terms expiring August 31, 2024.

New Media

The CRTC has issued a digital media exemption order requiring that Internet-based and mobile point-to-point broadcasting services not offer television programming on an exclusive or preferential basis in a manner that depends on subscription to a specific mobile or retail Internet service and not confer an undue preference or disadvantage. The CRTC has not imposed any levy on the revenue of exempt digital media undertakings to support Canadian content.

Potential Legislative Changes

On November 3, 2020, the Minister of Heritage introduced a bill to amend the *Broadcasting Act* ("Bill C-10"). Bill C-10 provided the basis for a new legislative regime that would recognize that new classes of service providers, including Canadian and non-Canadian online broadcasting services and platforms, are part of Canada's broadcasting system, in addition to current classes that include terrestrial and DTH BDUs and programmers. On June 14, 2021, the Standing Committee presented its report on Bill C-10 with amendments in the House of Commons, and on June 22, 2021, the House of Commons passed the Bill. As of the prorogation of the 43rd Parliament, on August 15, 2021, Bill C-10 remained before the Senate. The Liberal Party, which secured a minority government in the 2021 federal election, indicated in its election platform that they would introduce legislation to reform the *Broadcasting Act* within the first 100 days following re-election, and modernize funding tools that support Canada's audio-visual sector.

Any changes to the *Broadcasting Act* and related regulations – pursuant to the introduction of a bill that is substantially similar to Bill C-10 or that proposes different or additional provisions – alone or in combination with the maintenance of existing regulatory measures applicable to the Company's cable and DTH services could impact the business practices of the Company; result in the imposition of new fees and costs on the Company's cable, DTH, or digital media services; allow for the introduction of new competition in the provision of broadcasting distribution services; and/or negatively impact the Company's financial results from broadcasting.

Other Potential New or Increased Fees and Costs

New fees and costs could also be imposed pursuant to CRTC regulation, with or without legislative changes. The Commission indicated that in 2020-2021 it will consider whether to examine new mechanisms to support television news production. If the CRTC were to implement support for television news production through increased access by broadcasters to subscription revenue, it would increase costs for the Company. Additionally, the Commission indicated that in 2021-2022 it will "examine options for the appropriate measures needed to ensure that all content providers on all platforms contribute to the creation of Canadian content in both official languages, that Canadian content is promoted and given appropriate prominence, and that it is easily accessible by Canadians." Implementation of new regulatory measures with the foregoing objectives could result in new fees payable by the Company's cable, DTH or digital media services; impact the business practices of the Company, including through new distribution and promotion requirements, with increased costs payable by the Company's cable, DTH, or digital media services; and/or negatively impact the Company's financial results from broadcasting.

Sections 21 and 49 of the CRTC's *Broadcasting Distribution Regulations* (the "BDU Regulations") currently state that a cable BDU must obtain the consent of an over-the-air (OTA) broadcaster in order to distribute its signal in a distant market. In the case of DTH BDUs, the BDU Regulations permit the distribution of local OTA television signals on a distant basis without consent within the province of origin, but the BDU Regulations state that DTH BDUs must obtain broadcaster consent to deliver an OTA television signal out-of-province, unless the DTH BDU is required to carry the signal out-of-province on its basic service. There are questions as to the jurisdictional validity of sections 21 and 49 of the BDU Regulations, which are currently being considered by the CRTC pursuant to an application by Rogers Media Inc. (RMI), posted by the Commission on February 21, 2020, asking the Commission to enforce those sections. Based on the current language of sections 21 and 49 of the BDU Regulations and depending on the outcome of RMI's application, broadcasters may seek to limit distribution of distant signals or remuneration for their distribution by the Company, which could increase costs for the Company and limit its offerings to consumers (including pursuant to demands for signal take-down or program blackouts). In addition, any confirmation by the CRTC of the validity of television broadcast licensees' right of authorization regarding the retransmission of their signals in distant markets could lead to similar demands by non-Canadian broadcasters. Any such impacts or demands could significantly impact the Company's costs and negatively impact the Company's financial results.

Telecommunications Act

Under the *Telecommunications Act*, the CRTC is responsible for ensuring that Canadians in all regions of Canada have access to reliable and affordable high-quality telecommunication services. The CRTC has the authority to forbear from regulating one or more services or classes of services provided by a carrier if the CRTC finds that there is sufficient competition for those services to protect the interests of users. Retail Internet, home phone services and mobile wireless services have been forborne from price regulation. However, regulations do affect certain terms and conditions under which Shaw's retail services are provided. As described further below under "Third Party Internet Access," certain Shaw wholesale services are regulated.

Under the *Telecommunications Act*, the GIC may issue broad policy directions of general application to the CRTC with regard to the telecommunications policy directives set out in the *Telecommunications Act* (each a "Telecommunications Policy Direction"). As described below under "Government Policy Direction to CRTC Concerning Telecommunications," a Telecommunications Policy Direction was issued by the GIC with the intention of guiding the CRTC's decision-making on telecommunications matters.

The CRTC and ISED can also impose monetary penalties on companies that contravene the *Telecommunications Act*, the *Radiocommunication Act*, and the regulations and rules promulgated thereunder.

ISED is responsible for the allocation, issuance and management of radio spectrum pursuant to the *Radiocommunication Act*. As well, the technical operating aspects of the Company's businesses are regulated by technical requirements and performance standards established by ISED, primarily under the *Telecommunications Act* and the *Radiocommunication Act*.

Potential Legislative Changes

The Minister of Canadian Heritage and the Minister of Innovation, Science and Industry were directed, pursuant to the Ministerial mandate letters issued December 13, 2019, to "modernize the *Broadcasting Act* and *Telecommunications Act*, examining how best to [...] ensure quality affordable internet, mobile and media access." The Minister of Innovation, Science and Industry was also directed to reduce mobile prices by 25% within two years, and failing that, to further expand mobile virtual network operators (MVNOs) in Canada and the CRTC's mandate on affordable pricing. In accordance with this mandate, on March 5, 2020, the Minister of Innovation, Science and Industry announced the expectation that the national wireless carriers (BCE Inc., Rogers Communications Canada and TELUS Communications) reduce their prices for mid-range data plans (2-6 GB) by 25% over the next two years, and indicated that if "these targets are not met within two years, the Federal Government will take action with other regulatory tools to further increase competition and help reduce prices."

Implementation of the foregoing Ministerial mandates (assuming that they remain applicable during the next session of Parliament) could result in: the introduction of new regulatory measures that negatively impact the business practices of the Company and our ability to serve customers and related costs; and/or negative impacts on the Company's financial results and competitiveness in the wireless and wireline market.

Third Party Internet Access

Shaw is mandated by the CRTC to provide a wholesale high-speed access (HSA) service at regulated rates to independent ISPs ("Resellers"), who use the wholesale HSA services to provide their own retail Internet services to consumers ("Third Party Internet Access" or "TPIA").

Telecom Orders CRTC 2019-288 and 2021-181

On August 15, 2019, the CRTC issued Telecom Order 2019-288 (the "Order"), which set Shaw's aggregated wholesale HSA service rates. The rates imposed by the Order were significantly lower than the interim rates set in October 2016, and retroactive to January 31, 2017. Shaw, jointly with Cogeco, Eastlink, Rogers and Videotron (the "Cable Carriers"), pursued all three routes of appeal of the Order: appeal to the Federal Court of Appeal (FCA); Petition to federal Cabinet; and application with the CRTC to review and vary the Order. On May 27, 2021, the CRTC released its decision in the Cable Carriers' application to review and vary the rates set by the Order ("TD 2021-181"), in which it determined that there was substantial doubt as to the correctness of the aggregated wholesale HSA service rates set by the Order and approved on a final basis the interim rates set in October 2016. TekSavvy Solutions Inc. ("TekSavvy"), Competitive Network Operators of Canada ("CNOC"), and National Capital FreeNet Inc. ("NCF") have petitioned to the GIC to vary TD 2021-181 (the "Petitions"), asking the GIC to finalize the rates set by the 2019 Order. TekSavvy and CNOC are also asking the GIC to direct all facilities-based wholesale service providers to immediately remit all retroactive payments in connection with the Order's rates. On September 22, 2021, the Cable Carriers filed a response to the TekSavvy and CNOC Petitions, asking Cabinet to deny the requested relief. The reply to the NCF Petition is due November 1, 2021. On June 28, 2021, TekSavvy also filed a motion for leave to appeal TD 2021-181 to the FCA and has requested that the appeal be heard on an expedited basis. The FCA granted leave on September 15, 2021. In its appeal, TekSavvy will seek an order from the FCA that TD 2021-181 is quashed, and the 2019 Order is reinstated or, in the alternative, that the matter is returned to the CRTC for redetermination. If the GIC or the FCA were to intervene in any way with the effect of decreasing the aggregated wholesale HSA service rates set by TD 2021-181, this could significantly reduce the amount that the Company can charge for aggregated wholesale HSA services and negatively impact the Company's broadband Wireline revenues and investments, as well as its ability to compete with Resellers and other facilities-based HSA providers.

Distinction between residential and business wholesale HSA services

On March 3, 2020, the Commission initiated a proceeding to examine wholesale HSA tariff provisions that differentiate between residential and business end-users. Final replies were filed on February 11, 2021, and a decision is pending. The Company's tariffs do not limit or restrict reselling to business end-users. If the Commission's decision goes beyond addressing existing tariff provisions that place restrictions on Resellers based on market segmentation, and mandates new wholesale access requirements applicable to the Company's Consumer or Business Internet services, the Company's broadband revenues and investments, as well as its ability to compete, could be negatively impacted.

Disaggregated Wholesale Services Framework

In 2015, the CRTC completed a review of the wholesale wireline policy framework, including TPIA, and: (i) extended mandated wholesale access services to include FTTP facilities; and (ii) initiated a shift to a new disaggregated wholesale HSA service model. On June 11, 2020, the Commission initiated a new proceeding to consider the appropriate network configuration for disaggregated wholesale HSA services across the country, and suspended the proceeding to set final rates, terms, and conditions for the disaggregated wholesale HSA services in Ontario and Quebec, for which network configurations had previously been reviewed and approved by the CRTC in 2016. The disaggregated wholesale service configuration that is mandated by the Commission could require significant and costly modifications to the Company's broadband network architecture. The final mandated rates and the terms of disaggregated HSA services could negatively impact the Company's broadband revenues and investments as well as its ability to compete with Resellers and other facilities-based disaggregated HSA providers.

Review of the approach to rate setting for wholesale telecommunications services

On April 24, 2020, the Commission initiated a proceeding to review its approach to rate setting for wholesale telecommunications services. Replies were filed on November 27, 2020, and a decision is pending. The methodology that is selected will impact the amount that the Company can charge for wholesale HSA service. If the methodology fails to adequately compensate the Company for the costs associated with provisioning HSA services as well as a reasonable return on investment, it will negatively impact the Company's broadband Wireline revenues and investments and our ability to compete with Resellers and other facilities-based HSA providers. The chosen methodology could also potentially apply to wholesale wireless services, including mandated roaming.

CRTC Wireless Review

In February 2019, the CRTC initiated its review of the regulatory framework for mobile wireless services and held a public hearing in February 2020. The Commission reviewed competition in the retail market, including potential regulatory intervention, such as new retail policies and mandated low-cost data-only plans, and wholesale wireless regulation, including wholesale access for mobile virtual network operators (MVNOs), and whether there is any need to make changes to the wholesale roaming policy.

In April 2021, the CRTC issued Wireless Review decision, Telecom Regulatory Policy CRTC 2021-130 ("TRP 2021-130"). In it, the CRTC rejected a broad MVNO regime and instead mandated facilities-based MVNO service, whereby the national wireless carriers as well as SaskTel are mandated to provision wholesale MVNO access services only to carriers holding a spectrum licence in a given service area. The terms and conditions of the facilities-based wholesale MVNO access service are still under consideration by the Commission. Rates will be determined through commercial negotiation, with recourse to CRTC Final Offer Arbitration if negotiations reach an impasse. The CRTC also held that the national wireless carriers would be required to provide seamless roaming as part of their mandated domestic wholesale roaming services used by the Company and other carriers as of April 15, 2022 and confirmed that the wholesale roaming policy applies to 5G networks. The national wireless carriers' wholesale roaming tariffs will be reviewed to ensure the rates reflect the underlying costs associated with seamless roaming following its implementation. At that time, the CRTC will also assess the underlying costs of wholesale roaming on 5G networks. TRP 2021-130 did not mandate specific retail services but set clear expectations for the offer and promotion by the national carriers of low-cost, emergency use, and occasional use plans at specified rates. Finally, the CRTC determined that the *Telecommunications Act* does not give it the jurisdiction to adjudicate disputes concerning access to public places for the purpose of constructing, maintaining, and operating mobile wireless transmission facilities. On May 14, 2021, TELUS filed for leave to appeal the CRTC's determinations related to seamless roaming and jurisdiction over access to public places relating to wireless facilities. On August 11, 2021, the FCA granted TELUS leave. Additionally, Data On Tap Inc., an MVNO operating as dotmobile, has petitioned the GIC to vary TRP 2021-130, asking it to broaden mandated MVNO access by, among other things, removing the spectrum requirements and set a maximum allowable wholesale rate.

Compliance and Enforcement and Telecom Notice of Consultation CRTC 2021-9

On January 13, 2021, the CRTC initiated a proceeding to develop a network-level blocking framework to limit botnet traffic targeting Canadians. Shaw has recommended a limited role for the CRTC. If, however, the CRTC implements more onerous obligations, this could introduce additional costs to the Company and a risk of penalties in connection with any non-compliance.

Retail Sales Practices

On February 20, 2019, the CRTC published its Report on Misleading or Aggressive Communications Retail Sales Practices and found that "a significant portion of Canadians are experiencing misleading or aggressive sales practices through all types of sales channels" in connection with their purchase of telecommunications and broadcasting services. While the Report did not result in new rules or regulatory obligations, the Report's findings, coupled with a planned Commission examination of activities undertaken in 2020-2021 to address those findings, could lead to new measures implemented in the context of current or future proceedings. The introduction of any such measures could negatively impact our ability to serve our customers, result in cost increases for the Company and negatively impact the Company's revenue.

Access for Wireline Network

Shaw requires access to support structures, such as poles, strand and conduits of telecommunication carriers and electric utilities, in order to deploy wireline network facilities. Under the *Telecommunications Act*, the CRTC has jurisdiction over support structures of telecommunication carriers, including rates for third party use. The CRTC's jurisdiction does not extend to electrical utility support structures, which are regulated by provincial utility authorities. Shaw's wireline network also requires access to construct facilities in roadways and other public places. Under the *Telecommunications Act*, Shaw may access such places with the consent of the municipality or other public authority having jurisdiction.

On December 10, 2019, the Commission initiated a review to examine "potential barriers and/or regulatory solutions to building new facilities or interconnecting to existing facilities in order to extend broadband-capable networks more efficiently into underserved areas […]." The Commission specifically requested comments on barriers such as access to affordable transport services and efficient use of support structures; how and to what extent these barriers are preventing carriers from extending transport networks and offering services in underserved regions; and proposals on potential regulatory measures to address the barriers. Final submissions were filed in March 2021, and a decision has not yet been issued. The introduction of regulatory requirements applicable to the provision of wholesale transport services in rural or remote areas could negatively impact the Company's financial results.

Radiocommunication Act

Our Wireless division holds licences for the use of radiofrequency spectrum required to operate its mobile wireless business. Those spectrum licences are administered by ISED under the *Radiocommunication Act*. Spectrum use is governed by conditions of license, including license term, transferability/divisibility, technical compliance requirements, lawful interception, research and development, and mandated antenna site sharing and domestic roaming services.

Any changes to the *Radiocommunications Act* could impact the business practices of the Company and/or the processes governing its acquisition of new spectrum for purposes of building its wireless networks.

Wireless Spectrum Licences

The Company's AWS-1 spectrum licences were renewed in 2019 for a 20-year term. The Company's AWS-3 spectrum licences were issued in 2015 for a 20-year term. The 700 MHz and 2500 MHz spectrum licences that the Company purchased from Quebecor were initially issued in February 2014 and May 2015, respectively for a term of 20 years. The Company also holds other 2500 MHz licences, including those acquired at ISED's 2018 residual auction, which were issued for a 20-year term, and the Company also acquired 600 MHz licences at ISED's 2019 auction, which were issued for a 20-year term.

The Company's licences come with conditions, including a variety of deployment conditions. In July 2019, ISED issued a decision in response to its consultation on a new set of smaller service areas for spectrum licensing ("Tier 5 Service Areas") to complement ISED's existing service areas. ISED has created Tier 5 Service Areas with the objective of encouraging additional access to spectrum within rural areas pursuant to its licensing process. Currently, none of the Company's licences are subject to Tier 5 deployment requirements, but future licences may incorporate a requirement for deployment in such new service areas, which could lead to additional future network costs.

In March 2020, ISED released its policy and licensing framework (the "Framework") for the 3500 MHz (3450-3650 MHz) auction, following a public consultation process in 2019. The auction commenced in June 2021, and provisional results were published on July 29, 2021. Shaw did not participate in the auction.

In May 2021, following a public consultation in 2020 on proposed revisions to the 3800 MHz band (3650-4200 MHz), ISED released its decision allowing future mobile use in the band. The band is currently used primarily to provide fixed satellite services. Existing satellite users of the spectrum in remote, satellite dependent areas of the country will be permitted to continue to operate across the band, while those in urban areas will be consolidated in the 4000-4200 MHz spectrum range and subject to a transition process that will be complete in March 2025. The details of the licensing framework for the band will be the subject of a future proceeding.

In June 2019, following a consultation in 2018, ISED released a decision allowing future mobile use in the millimetre wave bands, including 26 GHz, 28 GHz, and 38 GHz bands, as well as licence-exempt use in the 64-71 GHz bands. The details of the licensing framework for these bands will be the subject of a future proceeding.

In May 2021, ISED also released a decision confirming its intention to make 1200 MHz of spectrum in the 6 GHz band (5925-7125 MHz) available for WiFi and other unlicensed uses. Technical standards for equipment operating in the band must be developed before the spectrum becomes available for use.

In August 2021, ISED commenced a consultation on the potential introduction of a new "access licensing framework" to facilitate access to unused spectrum in rural and remote areas. ISED proposes to issue Tier 5 licences on a first-come, first-served basis in areas where existing licensees have not deployed services. ISED proposes to apply this initially to the PCS (1900 MHz) and Cellular (800 MHz) bands. Among other things, the consultation also proposes to streamline the approval process for certain subordination arrangements. Although Shaw does not have spectrum in the PCS or Cellular spectrum bands, these consultations could lead to future spectrum proceedings, or future opportunities for other parties to gain access to spectrum, which could impact the Company's competitiveness or its spectrum licences.

Access for Wireless Network

Our Wireless division's operations depend on being able to locate and construct wireless antenna sites, which in some cases requires certain authorizations or approvals from municipalities, which vary from one municipality to another but are also subject to federal oversight. The process for such approvals can include a comprehensive consultation process related to local land use priorities and new antenna site design parameters. As noted above, the CRTC determined that the *Telecommunications Act* does not give it the jurisdiction to adjudicate disputes concerning access to public places for the purpose of constructing, maintaining, and operating mobile wireless transmission facilities and TELUS is appealing that aspect of the decision at the FCA.

The Wireless division also uses arrangements whereby it co-locates its antennae equipment on towers and/or sites owned and operated by third party tower and/or site providers and the three national wireless carriers. Pursuant to the conditions of their spectrum licences and the CRTC's policy framework for wholesale wireless services, the three national wireless carriers must allow competitors, including Freedom Mobile and Shaw Mobile, to co-locate equipment at these locations. However, the application and approval process for the sharing of towers is lengthy, and the ISED and CRTC processes that are available to enforce the existing rules can also be challenging and time consuming. The CRTC's review of mobile wireless services included a focus on reducing barriers to infrastructure deployment and whether any further regulatory measures are required to reduce barriers to the deployment of wireless infrastructure. In the CRTC's review of mobile wireless services, the Commission indicated that it would examine issues associated with access to various types of infrastructure in order to deploy wireless networks and whether changes should be made to the Commission's existing rules to facilitate such access. In its Wireless Review decision (TRP 2021-130), the CRTC determined that it did not need to take any additional action in relation to tower and site sharing at this time.

Copyright Act

Canada's *Copyright Act* accords the creators and owners of content various rights to authorize and/or be remunerated for the use and performance of their works, including, in some instances, by BDUs. In addition, the *Copyright Act* creates certain exceptions that permit the use of copyrighted works without the authorization or remuneration of rights holders.

New or Potential Legislative Changes

Any amendments to the *Copyright Act* that modify the terms and conditions applicable to the use of content, including new rights or the scope of flexibility pursuant to existing exceptions; or impose new obligations on intermediaries, such as telecommunications service providers, could create increased fees and negatively impact the business practices of the Company, as well as the Company's ability to serve its customers.

Potential for New or Increased Fees

In August 2017, the Copyright Board issued a decision interpreting the scope and meaning of the "making available" provision (section 2.4(1.1) of the *Copyright Act*). The Copyright Board determined that as a result of section 2.4(1.1), the mere making available of a work on a server for the purpose of later streaming or downloading of the work by the public is an event for which a tariff is payable, expanding the scope of the performance right and the Society of Composers, Authors and Music Publishers of Canada's (SOCAN) entitlement to royalties. In September 2017, the Company, along with a number of other broadcasting and Internet companies, filed an application for judicial review, arguing that the Copyright Board's interpretation of the "making available" provision was erroneous. In June 2020, the FCA overturned the Copyright Board's interpretation. On November 12, 2020, SOCAN and Music Canada (collectively, the "Applicants") filed an application for leave to appeal to the Supreme Court of Canada (SCC). On April 21, 2021, leave to appeal was granted to the Applicants. If the SCC restores the Copyright Board's interpretation, it could lead to new claims by rights holders in connection with Company technologies that facilitate downloading.

Judicial Review of the Distant Signal Retransmission Tariff Rates (2014-2018)

On December 18, 2018, the Copyright Board released a rate decision for the Distant Signal Retransmission Tariff for the past tariff period of 2014-2018, inclusive, which introduced a rate increase that applied retroactively, and established an interim tariff for 2019 based on the 2018 rate. Both the Copyright Collective of Canada (the "Collectives") and Objectors filed a Notice of Application for judicial review with the FCA on November 4, 2019. On July 23, 2021, the FCA dismissed the Objectors' application on all grounds, and granted the Collectives' application on two grounds, for the years 2016-2018. The SCC application for leave to appeal the FCA decision was filed on September 29, 2021. If the FCA's decision is upheld, the Company could become subject to significantly increased royalty rates for the 2016-2018 period, pursuant to a redetermination of the rates by the Copyright Board.

Privacy and Anti-Spam Legislation

Privacy Legislation

The Personal Information Protection and Electronic Documents Act (Canada) (PIPEDA) is Canada's federal privacy law regulating the collection, use, and disclosure of personal information in Canada by a federally regulated organization in the private sector. The Company has established a privacy policy and its internal privacy processes in accordance with PIPEDA.

On November 17, 2020, the Minister of Innovation, Science and Industry introduced Bill C-11 – the Digital Charter Implementation Act ("DCIA"), which was intended to replace PIPEDA. Bill C-11 was comprised of two parts: (1) the Consumer Privacy Protection Act (the "CPPA"), which established protections and parameters for the collection, use and disclosure of personal information ("PI"), including enhanced rights for individuals with respect to their privacy and data; enhanced accountabilities for organizations with respect to consent gathering and data usage; and significant penalties (up to 5% of an organization's gross revenue the previous year) for breaches of rights and responsibilities; and (2) the Personal Information and Data Protection Tribunal Act (the "PIDPTA"), which created a new administrative tribunal to oversee enforcement of the CPPA. As of the prorogation of the 43rd Parliament on August 15, 2021, Bill C-11 remained in Second Reading before the House of Commons. The Liberals' election platform indicated that if re-elected, they would move forward with legislation to implement Canada's Digital Charter, strengthen privacy protections for consumers and introduce new rules applicable to the online marketplace.

Changes to privacy laws and regulations resulting from the reinstatement and passage of Bill C-11 or introduction of a new privacy bill, will require the Company to incur costs to adjust its policies and practices related to privacy, as well as data collection, management, disposal and access practices. Such changes could: result in significant new costs payable by the Company to ensure compliance; limit the Company's ability to utilize data in support of its business, as well as preserve and expand its customer base; and expose the Company to the risk of significant penalties and claims (including pursuant to a proposed right of private action) in connection with any non-compliance.

Canada's Anti-Spam Legislation (CASL)

CASL sets out a comprehensive regulatory regime regarding online commerce, including requirements to obtain consent prior to sending commercial electronic messages and installing computer programs. CASL is administered primarily by the CRTC, and non-compliance may result in fines of up to $10 million. The Company maintains internal practices and policies to facilitate compliance with CASL.

Environmental matters

Shaw's operations are subject to environmental regulations, including those related to electronic waste, printed paper and packaging. A number of provinces have enacted regulations providing for the diversion of certain types of electronic and other waste through product stewardship programs (PSP). Under a PSP, companies who supply designated products in or into a province are required to participate in or develop an approved program for the collection and recycling of designated materials and, in some cases, pay a per item fee. Such regulations have not had, and are not expected to have, a material effect on the Company's earnings or competitive position.

KEY PERFORMANCE DRIVERS

Shaw measures the success of its strategies using a number of key performance drivers which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

Financial Measures

Revenue

Revenue is a measurement determined in accordance with International Financial Reporting Standards (IFRS). It represents the inflow of cash, receivables or other consideration arising from the sale of products and services. Revenue is net of items such as trade or volume discounts, agency commissions, and certain excise and sales taxes. It is the base on which free cash flow, a key performance driver, is determined; therefore, it measures the potential to deliver free cash flow as well as indicating growth in a competitive market place.

The Company's continuous disclosure documents may provide discussion and analysis of non-GAAP financial measures. These financial measures do not have standard definitions prescribed by IFRS and therefore may not be comparable to similar measures disclosed by other companies. The Company's continuous disclosure requirements may also provide discussion and analysis of additional GAAP measures. Additional GAAP measures include line items, headings, and sub-totals included in financial statements. The Company utilizes these measures in making operating decisions and assessing its performance. Certain investors, analysts and others utilize these measures in assessing the Company's operational and financial performance and as an indicator of its ability to service debt and return cash to shareholders. These non-GAAP measures and additional GAAP measures have not been presented as an alternative to net income or any other measure of performance or liquidity prescribed by IFRS. The following contains a description of the Company's use of non-GAAP financial measures and additional GAAP measures and provides a reconciliation to the nearest IFRS measure or provides a reference to such reconciliation.

Adjusted EBITDA

Adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") is calculated as revenue less operating, general and administrative expenses. It is intended to indicate the Company's ongoing ability to service and/or incur debt and is therefore calculated before items such as restructuring costs, other gains (losses), amortization (a non-cash expense), taxes and interest. Adjusted EBITDA is one measure used by the investing community to value the business.

Adjusted EBITDA has no directly comparable GAAP financial measure. Alternatively, the following table provides a reconciliation of net income to adjusted EBITDA:

	Year ended August 31,		
(millions of Canadian dollars)	**2021**	**2020**	**Change%**
Net Income	**986**	688	43.3
Add back (deduct):			
Restructuring costs	**14**	14	—
Amortization:			
Deferred equipment revenue	**(11)**	(16)	(31.3)
Deferred equipment costs	**47**	65	(27.7)
Property, plant and equipment, intangibles and other	**1,183**	1,168	1.3
Amortization of financing costs – long-term debt	**2**	3	(33.3)
Interest expense	**231**	274	(15.7)
Other gains (losses)	**2**	16	(87.5)
Current income tax expense	**30**	120	(75.0)
Deferred income tax expense (recovery)	**16**	59	(72.9)
Adjusted EBITDA	**2,500**	2,391	4.6

Adjusted EBITDA margin

Adjusted EBITDA margin is a non-GAAP ratio that is calculated by dividing adjusted EBITDA by revenue. Adjusted EBITDA margin is also one of the measures used by the investing community to value the business.

	Year ended August 31,		
	2021	**2020**	**Change%**
Wireline	**49.6%**	48.3%	2.7
Wireless	**30.9%**	28.9%	6.9
Combined Wireline and Wireless	**45.4%**	44.2%	2.7

Net debt

The Company uses this measure to perform valuation-related analysis and make decisions about the Company's capital structure. We believe this measure aids investors in analyzing the value of the business and assessing our leverage. Refer to "Liquidity and Capital Resources" for further detail.

Net debt leverage ratio

The Company uses this non-GAAP ratio to determine its optimal leverage ratio. Refer to "Liquidity and Capital Resources" for further detail.

Free cash flow

The Company utilizes this measure to assess the Company's ability to repay debt and pay dividends to shareholders.

Free cash flow is comprised of adjusted EBITDA and then deducting capital expenditures (on an accrual basis and net of proceeds on capital dispositions) and equipment costs (net), interest, cash taxes paid or payable, interest on lease liabilities, lease payments relating to lease liabilities, dividends paid on the preferred shares, and recurring cash funding of pension amounts net of pension expense and adjusted to exclude share-based compensation expense or recovery.

Free cash flow has not been reported on a segmented basis. Certain components of free cash flow, including adjusted EBITDA, continue to be reported on a segmented basis. Capital expenditures and equipment costs (net) are also reported on a segmented basis. Other items, including interest and cash taxes, are not generally directly attributable to a segment, and are reported on a consolidated basis.

Free cash flow is calculated as follows:

	Year ended August 31,		
(millions of Canadian dollars)	**2021**	**2020**	**Change %**
Revenue			
Consumer	**3,665**	3,683	(0.5)
Business	**584**	567	3.0
Wireline	**4,249**	4,250	—
Service	**891**	815	9.3
Equipment	**381**	351	8.5
Wireless	**1,272**	1,166	9.1
	5,521	5,416	1.9
Intersegment eliminations	**(12)**	(9)	33.3
	5,509	5,407	1.9
Adjusted EBITDA			
Wireline	**2,107**	2,054	2.6
Wireless	**393**	337	16.6
	2,500	2,391	4.6
Capital expenditures and equipment costs (net):(1)			
Wireline	**723**	815	(11.3)
Wireless	**280**	296	(5.4)
	1,003	1,111	(9.7)
Free cash flow before the following	**1,497**	1,280	17.0
Less:			
Interest on debt and provisions	**(183)**	(223)	(17.9)
Interest on lease liabilities	**(45)**	(44)	2.3
Cash taxes	**(194)**	(148)	31.1
Lease payments relating to lease liabilities	**(110)**	(112)	(1.8)
Other adjustments:			
Non-cash share-based compensation	**2**	2	–
Pension adjustment	**2**	1	100.0
Preferred share dividends	**(8)**	(9)	(11.1)
Free cash flow	**961**	747	28.6

(1) Per Note 26 to the audited Consolidated Financial Statements.

Statistical Measures

Subscriber counts (or Revenue Generating Units (RGUs))

The Company measures the count of its subscribers in its Consumer, Business, and Wireless divisions.

In the Consumer and Business divisions, Wireline Video subscribers include residential customers, multiple dwelling units (MDUs) and commercial customers. A residential subscriber who receives at a minimum, basic cable service, is counted as one subscriber. In the case of MDUs, such as apartment buildings, each tenant with a minimum of basic cable service is counted as one subscriber, regardless of whether invoiced individually or having services included in the individual's rent. Each building site of a commercial customer (e.g., hospitals, hotels or retail franchises) that is receiving at a minimum, basic cable service, is counted as one subscriber. Video satellite subscribers are counted in the same manner as Wireline Video customers except that it also includes seasonal customers who have indicated their intention to reconnect within 180 days of disconnection. Internet customers include all modems on billing and Phone includes all phone lines on billing. All subscriber counts exclude complimentary accounts but include promotional accounts.

Consumer and Business divisions' RGUs represent the number of products sold to customers and includes Video (cable and Satellite subscribers), Internet customers, and Phone lines. As at August 31, 2021 these combined divisions had approximately 5.0 million RGUs.

In the Wireless division, a recurring subscriber or RGU (e.g., cellular phone, smartphone, tablet, mobile Internet device) has access to the wireless network for voice and/or data communications, whether prepaid or postpaid. Prepaid subscribers include RGUs where the account is within 90 days of the prepaid credits expiring. As at August 31, 2021 the Wireless division had approximately 2.1 million RGUs.

Refer to "Subscriber Highlights" on page 11 for more information on this measure.

Wireless Postpaid Churn

Wireless postpaid subscriber or RGU churn ("postpaid churn") measures success in retaining subscribers. Wireless postpaid churn is a measure of the number of postpaid subscribers that deactivated during a period as a percentage of the average postpaid subscriber base during a period, calculated on a monthly basis. It is calculated by dividing the number of Wireless postpaid subscribers that deactivated (in a month) by the average number of postpaid subscribers during the month. When used or reported for a period greater than one month, postpaid churn represents the sum of the number of subscribers deactivating for each period incurred divided by the sum of the average number of postpaid subscribers of each period incurred.

Postpaid churn of 1.41% in fiscal 2021 was comparable to 1.40% in fiscal 2020.

Wireless average billing per subscriber unit (ABPU)

Wireless ABPU is a supplementary financial measure and industry metric that is useful in assessing the operating performance of a wireless entity. We use ABPU as a measure that approximates the average amount the Company invoices an individual subscriber unit for service on a monthly basis. ABPU helps us to identify trends and measures the Company's success in attracting and retaining higher lifetime value subscribers. Wireless ABPU is calculated as service revenue (excluding allocations to wireless service revenue under IFRS 15) divided by the average number of subscribers on the network during the period and is expressed as a rate per month.

In fiscal 2021, ABPU decreased 6.8% to $41.15 compared to $44.13 in the prior year. The ABPU decrease reflects the increased number of customers that are subscribing to Shaw Mobile as well as reduced roaming revenue due to less travel and roaming outside of the Freedom home network resulting from the impact of the COVID-19 pandemic.

Wireless average revenue per subscriber unit per month (ARPU)

Wireless ARPU is a supplementary financial measure that is calculated as service revenue divided by the average number of subscribers on the network during the period and is expressed as a rate per month. This measure is an industry metric that is useful in assessing the operating performance of a wireless entity. ARPU also helps to identify trends and measure the Company's success in attracting and retaining higher-value subscribers.

In fiscal 2021, ARPU decreased 4.1% to $37.35 compared to $38.95 in the prior year. The ARPU decrease reflects the increased number of customers that are subscribing to Shaw Mobile as well as reduced roaming revenue due to less travel and roaming outside of the Freedom home network resulting from the impact of the COVID-19 pandemic.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company prepared its Consolidated Financial Statements in accordance with IFRS as issued by the International Accounting Standards Board (IASB). An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity, and trends. Refer to Note 2 to the Consolidated Financial Statements for additional information on accounting policies. The following section discusses key estimates and assumptions that management has made under IFRS and how they affect the amounts reported in the Consolidated Financial Statements and accompanying notes. The following is a discussion of the Company's critical accounting policies.

Revenue and expense recognition

The identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts requires judgment. For bundled arrangements, we account for individual products and services when they are separately identifiable, and the customer can benefit from the product or service on its own or with other readily available resources. The Company has multiple deliverable arrangements consisting of upfront fees (subscriber connection fee revenue and/or customer premise equipment revenue) and related subscription revenue. The Company determined that the upfront fees charged to customers do not constitute separate performance obligations; therefore, these revenue streams are assessed as an integrated package.

Revenue is considered earned as services are performed, provided that at the time of performance, ultimate collection is reasonably assured. Such performance is regarded as having been achieved when reasonable assurance exists regarding the measurement of the consideration that will be derived from rendering the service. Revenue from Video, Internet, Phone, DTH, and Wireless customers includes subscriber revenue earned as services are provided. The revenue is considered earned as the period of service relating to the customer billing elapses. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Subscriber connection fee revenue

Connection fees have no standalone value to the customer separate and independent of the Company providing additional subscription services, therefore the connection fee revenue must be deferred as contract liabilities and recognized systematically over the periods that the subscription services are earned. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered its customer churn rate and other factors, such as competition from new entrants, to determine the deferral period of three years for Wireline customers and two years for Wireless customers.

Subscriber connection and installation costs

The costs of physically connecting a new home are capitalized as part of the Company's distribution system as the service potential of the distribution system is enhanced by the ability to generate future subscriber revenue. Costs of disconnections are expensed as incurred as the activity does not generate future revenue.

Costs incurred to obtain or fulfill a contract

The incremental costs to obtain or fulfill a contract with a customer are deferred and amortized into operating expenses over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives that we expect to be recoverable. Determining the deferral criteria for these costs requires us to make significant judgments.

Customer premise equipment revenue and costs

Customer premise equipment available for sale, which generally includes DTH equipment, has no standalone value to the customer separate and independent of the Company providing additional subscription services. Therefore, the equipment revenue is deferred and recognized systematically over the periods that the subscription services are earned. As the equipment sales and the related subscription revenue are considered one transaction, recognition of the equipment revenue commences once the subscriber service is activated. There is no specified term for which the customer will receive the related subscription service, therefore the Company has considered various factors including customer churn, competition from new entrants, and technology changes to determine the deferral period of three years.

In conjunction with equipment revenue, the Company also incurs incremental direct costs which include equipment and related installation costs. These direct costs cannot be separated from the undelivered subscription service included in the multiple deliverable arrangement. Under IAS 2 "Inventories," these costs represent inventoriable costs and are deferred and amortized over the period of three years, consistent with the recognition of the related equipment revenue. The equipment and installation costs generally exceed the amounts received from customers on the sale of equipment (the equipment is sold to the customer at a subsidized price). The Company defers the entire cost of the equipment, including the subsidy portion, as it has determined that this excess cost will be recovered from future subscription revenues and that the investment by the customer in the equipment creates value through increased retention.

Shaw Business installation revenue and expenses

The Company also receives installation revenues in its Shaw Business operation on contracts with commercial customers which are deferred and recognized as revenue on a straight-line basis over the related service contract, generally spanning two to ten years. Direct and incremental costs associated with the service contract, in an amount not exceeding the upfront installation revenue, are deferred and recognized as an operating expense on a straight-line basis over the same period.

Wireless equipment revenue

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (i.e., wireless handsets and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenue, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue.

The Company also offers a plan allowing customers to receive a larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or non-current receivables, as applicable, in the Consolidated Statements of Financial Position.

Income statement classification

The Company distinguishes amortization of deferred equipment revenue and deferred equipment costs from the revenue and expenses recognized from ongoing service activities on its income statement. Equipment revenue and costs are deferred and recognized over the anticipated term of the related future revenue (i.e., the monthly service revenue) with the period of recognition spanning three to five years. As a result, the amortization of deferred equipment revenue and deferred equipment costs are non-cash items on the income statement, similar to the Company's amortization of deferred indefeasible right to use (IRU) revenue, which the Company also segregates from ongoing revenue. Further, within the lifecycle of a customer relationship, the customer generally purchases customer premise equipment at the commencement of the customer relationship, whereas the subscription revenue represents a continuous revenue stream throughout that customer relationship. Therefore, the segregated presentation provides a clearer distinction within the income statement between cash and non-cash activities and between up-front and continuous revenue streams, which assists financial statement readers to predict future cash flows from operations.

Allowance for doubtful accounts

A significant portion of the Company's revenues are earned from selling on credit to individual subscribers. Because there are some customers who do not pay their debts, selling on credit necessarily involves credit losses. The Company is required to make an estimate of an appropriate allowance for doubtful accounts on its receivables. In determining its estimate, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foreseen, such as future business, personal and economic conditions. Conditions causing deterioration or improvement in the aging of accounts receivable and collections will increase or decrease bad debt expense.

Leases

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets.

In determining whether a contract contains a lease, the Company makes judgments in determining whether the contract involves the use of an identified asset, whether the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and whether the Company has the right to direct the use of the identified asset.

In determining the contract term, the Company makes judgments in determining the non-cancellable period of the lease and the impact to the term of any options in the contract including options to extend or terminate the lease and whether or not the Company is reasonably certain to exercise these options.

When determining the interest rate used for discounting future cash flows the Company uses the incremental borrowing rate unless the rate implicit in the lease is readily determinable. The determination of the incremental borrowing rate is derived from publicly available rates and adjusted for lease terms. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Property, plant and equipment and other intangibles – capitalization of direct labour and overhead

The cost of property, plant and equipment and other intangibles includes direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The Company capitalizes direct labour and direct overhead incurred to construct new assets, upgrade existing assets and connect new subscribers. These costs are capitalized as they are directly attributable to the acquisition, construction, development or betterment of the networks or other intangibles. Repairs and maintenance expenditures are charged to operating expenses as incurred.

Direct labour and overhead costs are capitalized in three principal areas:

1. **Corporate departments such as Technology, Operations, Products, and Supply Chain (TOPS):** TOPS is involved in overall planning and development of the Video/Internet/Phone/Wireless infrastructure. Labour and overhead costs directly related to these activities are capitalized as the activities directly relate to the planning and design of the construction of the distribution system. In addition, TOPS devotes considerable efforts towards the development of systems to support Phone, WiFi, and projects related to new customer management, billing, and operating support systems. Labour costs directly related to these and other projects are capitalized.
2. **Cable regional construction departments, which are principally involved in constructing, rebuilding and upgrading the Cable/Internet/Phone infrastructure:** Labour and overhead costs directly related to the construction activity are capitalized as the activities directly relate to the construction or upgrade of the distribution system. Capital projects include, but are not limited to, new subdivision builds, increasing network capacity by reducing the number of homes fed from each node, and upgrades of plant capacity and the WiFi build.
3. **Subscriber-related activities such as installation of new drops and Internet and Phone services:** The labour and overhead directly related to the installation of new services are capitalized as the activity involves the installation of capital assets (e.g., wiring, software) which enhance the service potential of the distribution system through the ability to earn future revenues. Costs associated with service calls, collections, disconnects, and reconnects that do not involve the installation of a capital asset are expensed.

Amounts of direct labour and direct overhead capitalized fluctuate from year to year depending on the level of customer growth and plant upgrades for new services. In addition, the level of capitalization fluctuates depending on the proportion of internal labour versus external contractors used in construction projects.

The percentage of direct labour capitalized in many cases is determined by the nature of employment in a specific department. For example, a significant portion of labour and direct overhead of the cable regional construction departments is capitalized as a result of the nature of the activity performed by those departments. Capitalization is also based on piece rate work performed by unit-based employees which is tracked directly. In some cases, the amount of capitalization depends on the level of maintenance versus capital activity that a department performs. In these cases, an analysis of work activity is applied to determine this percentage split.

Amortization policies and useful lives

The Company amortizes the cost of property, plant and equipment and other intangibles over the estimated useful service lives of the items. These estimates of useful lives involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue-producing perspective. If technological change happens more quickly or in a different way than the Company has anticipated, the Company may have to shorten the estimated life of certain property, plant and equipment or other intangibles which could result in higher amortization expense in future periods or an impairment charge to write down the value of property, plant and equipment or other intangibles.

Intangibles

The excess of the cost of acquiring cable, satellite, and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, customer relationships, and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks, and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Asset impairment

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit (CGU) is determined based on the higher of the CGU's fair value less costs to sell and its value in use. A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The results of the impairment tests are provided in Note 9 to the Consolidated Financial Statements.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The timing or amount of the outflow is subject to estimation and judgment. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as interest expense. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

Employee benefit plans

As at August 31, 2021, Shaw had non-registered defined benefit pension plans for key senior executives and designated executives. The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The differences between actual and assumed results are immediately recognized in other comprehensive income/loss. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected to be needed to settle employee benefit obligations and is also used to calculate the interest income on plan assets. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required. The following table illustrates the increase on the accrued benefit obligation and pension expense of a 1% decrease in the discount rate:

(millions of Canadian dollars)	Accrued Benefits Obligation at End of Fiscal 2021	Pension Expense Fiscal 2021
Weighted Average Discount Rate – Non-registered Plans	3.10%	2.70%
Impact of: 1% decrease – Non-registered Plans	$ 72	$ 2

Deferred income taxes

The Company has recognized deferred income tax assets and liabilities for the future income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized in respect of losses of certain of the Company's subsidiaries. The deferred income tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse or the tax losses are expected to be utilized. Realization of deferred income tax assets is dependent upon generating sufficient taxable income during the period in which the temporary differences are deductible. The Company has evaluated the likelihood of realization of deferred income tax assets based on forecasts of taxable income of future years, existing tax laws and tax planning strategies. Significant changes in assumptions with respect to internal forecasts or the inability to implement tax planning strategies could result in future impairment of these assets.

Commitments and contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities. Contractual and other commercial obligations primarily relate to network fees and agreements for use of transmission facilities in the normal course of business.

RELATED PARTY TRANSACTIONS

Related party transactions are reviewed by Shaw's Corporate Governance and Nominating Committee, consisting of independent directors. The following sets forth certain transactions in which the Company is involved.

Corus

The Company and Corus Entertainment Inc. ("Corus") are subject to common voting control. In fiscal 2020 and fiscal 2021, network, advertising, and programming fees were paid to various Corus subsidiaries. The Company also provided uplink of television signals, programming content, Internet services and lease of circuits to various Corus subsidiaries.

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). During fiscal 2021, the Company paid the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, British Columbia, is the Company's headquarters for its lower mainland British Columbia operations.

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors have the authority and responsibility for directing and controlling the activities of the Company. In addition to compensation provided to key management personnel and the Board of Directors for services rendered, the Company transacts with companies related to certain Board members primarily for the purchase of remote control units, network programming, collections, and installation of equipment.

Refer to Note 29 to the Consolidated Financial Statements for further related party transaction detail.

NEW ACCOUNTING STANDARDS

Shaw has adopted or will adopt a number of new accounting policies as a result of recent changes in IFRS as issued by the IASB. The ensuing discussion provides additional information as to the date that Shaw is or was required to adopt the new standards, the methods of adoption permitted by the standards, the method chosen by Shaw, and the effect on the financial statements as a result of adopting the new policies. The adoption or future adoption of these accounting policies has not and is not expected to result in changes to the Company's current business practices.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position but the impacts are not expected to be material:

- *Proceeds before Intended Use* (Amendments to IAS 16, *Property, Plant and Equipment*) was amended to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to capable operations. These amendments are required to be applied for annual periods commencing on or after January 1, 2022, however earlier application is permitted.

- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets) was amended to clarify which costs should be included in determining the cost of fulfilling a potential onerous contract. These amendments are required to be applied for annual periods commencing on or after January 1, 2022, however earlier application is permitted.

- *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1, Presentation of Financial Statements)* was amended to clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are effective January 1, 2023 with early application permitted. The amendments are required to be adopted retrospectively.

RISK MANAGEMENT

In the normal course of our business activities, the Company is subject to risks. The purpose of risk management is to manage and mitigate risk, rather than to eliminate risk. The Company is committed to continually strengthening our risk management capabilities to protect and enhance value.

Risk Governance and Oversight

The Board of Directors has overall risk governance and oversight responsibilities. Specifically, the Board is responsible for identifying and assessing the principal risks inherent in the business activities of the Company and ensuring that management takes all reasonable steps to implement appropriate systems to manage such risks. The Board of Directors has delegated elements of its risk oversight responsibilities to specific Board committees. The Audit Committee is responsible for: (1) overseeing the Company's processes for identifying, assessing, and managing risks; and (2) ensuring that management implements and maintains effective internal controls and procedures for identifying, assessing and managing the principal risks to the Corporation and its business. In addition, the Human Resources and Compensation Committee is responsible for ensuring that the Company's short, medium and long-term incentive plans do not incent risk-taking beyond the Company's risk tolerance.

Responsibilities for Risk Management

Responsibility for risk management is shared across our organization. Each department's operating management, led by the Company's executive team, have integrated controls and risk management practices into day-to-day activities and decision-making processes. We have risk management and compliance functions across the organization such as Finance, Privacy, Security and Risk, Legal and Regulatory, and Technology Risk and Compliance. The Internal Audit and Advisory Services (IA&AS) department provides independent and objective audit and advisory services to evaluate and improve the effectiveness of the Company's governance, internal controls, disclosure processes, and risk management activities. The Audit Committee oversees the work of the IA&AS department and all reports issued by the IA&AS department. In addition, the IA&AS department's annual plan is reviewed and approved by the Audit Committee.

Enterprise Risk Management

As part of its role in risk governance and oversight, the Audit Committee oversees the Enterprise Risk Management (ERM) program. The ERM program is a performance focused process designed to identify, monitor, and manage significant corporate level risks that could impact the achievement of our strategic objectives. The Company's executives meet periodically to: (1) review and update significant corporate level risks, (2) assess such corporate level risks in terms of likelihood and magnitude of impact, (3) review the response strategy, and (4) monitor progress. The latest ERM update was provided to the Audit Committee in October 2021, with updates to be provided to the Board at least annually. The significant risks and uncertainties affecting the Company and its business are discussed under "Known Events, Trends, Risks and Uncertainties."

KNOWN EVENTS, TRENDS, RISKS AND UNCERTAINTIES

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks, and uncertainties relevant to the Company, its operations, and/or its financial results. This discussion is not exhaustive. The discussion of these matters should be considered in conjunction with the "Caution Concerning Forward-Looking Statements."

Risks Related to the Transaction

The completion of the Transaction is subject to the satisfaction or waiver of several conditions precedent

The completion of the Transaction is subject to a number of conditions precedent, some of which are outside of the control of the Company and Rogers, including receipt of the Key Regulatory Approvals, there not having occurred a Material Adverse Effect or Purchaser Material Adverse Effect (as such terms are defined in the Arrangement Agreement) and the satisfaction of certain other customary closing conditions. There can be no certainty, nor can the Company or Rogers provide any assurance, that all conditions precedent to the Transaction will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. In addition, shareholders are advised that the condition relating to the occurrence of a Purchaser Material Adverse Effect is enforceable by, and is for the benefit of, the Shaw Family Living Trust. Accordingly, the Shaw Family Living Trust, which may have interests in the Transaction different from, or in addition to, those of other shareholders, has the right to prevent or delay the completion of the Transaction should it determine that a Purchaser Material Adverse Effect has occurred.

If, for any reason, the Transaction is not completed or its completion is materially delayed and/or the Arrangement Agreement is terminated, the market price of the Company's securities may be materially adversely affected. In such circumstances, the Company's business, financial condition or results of operations could also be subject to various material adverse consequences. In addition, if the Transaction is not completed, in certain circumstances, the Company may be required to pay a termination fee of $800 million to Rogers, the result of which could have a material adverse effect on the Company's business, financial position and results of operations and its ability to fund growth prospects and current operations.

The Key Regulatory Approvals necessary to complete the Transaction may not be obtained or may only be obtained after substantial delay

To complete the Transaction, each of the Company and Rogers must make certain filings with and obtain certain consents and approvals from certain governmental and regulatory authorities. In particular, the Company and Rogers have not yet obtained the Key Regulatory Approvals, all of which are required to complete the Transaction. In addition, governmental or regulatory agencies could deny permission for, or seek to block or challenge the Transaction or the transfer or deemed transfer of specific assets, including spectrum licenses, or impose material conditions relating to the Arrangement or any such transfer. If any one of the Key Regulatory Approvals is not obtained or any applicable law is in effect which makes the consummation of the Transaction illegal, the Transaction will not be completed.

In addition, a substantial delay in obtaining the Key Regulatory Approvals could result in the Transaction not being completed. In particular, if the Transaction is not completed by March 15, 2022 (subject to an extension of up to 90 days if required to obtain the Key Regulatory Approvals), either Shaw or Rogers may terminate the Arrangement Agreement, in which case the Transaction will not be completed.

Under certain circumstances, if the Key Regulatory Approvals are not obtained or any law (that relates to one or more of the Key Regulatory Approvals or the *Competition Act* (Canada)) is in effect which would make the consummation of the Transaction illegal and the failure to obtain the Key Regulatory Approvals is not caused by, and is not a result of, the failure by the Company to perform in all material respects any of its covenants or agreements under the Arrangement Agreement, then Rogers is obligated to pay the $1.2 billion reverse termination amount and certain costs amounting to approximately $120 million relating to Rogers' exercise of its right to require Shaw to redeem all of its issued and outstanding Preferred Shares on June 30, 2021. In addition, the holders of the Class A Shares and Class B Shares will not receive the consideration under the Arrangement Agreement (as the Transaction will not be completed).

The Arrangement Agreement may be terminated in certain circumstances

The Transaction may be terminated by the Company or Rogers in certain circumstances, in which case the Transaction will not be completed. Accordingly, there is no certainty, nor can the Company provide any assurance, that the Arrangement Agreement will not be terminated by the Company or Rogers prior to the completion of the Transaction. The failure to complete the Transaction could materially negatively impact the market price of Shaw's securities. Moreover, if the Arrangement Agreement is terminated and the Company's Board determines to pursue another merger or business combination, there is no assurance that the Company's Board will be able to find a party willing to pay an equivalent or greater price for all of Shaw's issued and outstanding Class A Shares and Class B Shares than the price to be paid by Rogers pursuant to the Transaction.

The failure to complete the Transaction could negatively impact the Company and have a material adverse effect on the current and future operations, financial condition and prospects of the Company

If the Transaction is not completed for any reason, there are risks that the announcement of the Transaction and the dedication of substantial resources of the Company to the completion thereof could have a negative impact on the Company's current business relationships (including with future and prospective employees, customers, suppliers and partners) and could have a material adverse effect on the current and future business, operations, results of operations, financial condition and prospects of the Company. In addition, failure to complete the Transaction for any reason could materially negatively impact the market price of Shaw's securities.

The entering into of the Arrangement Agreement may also preclude the Company from participating in any auction by ISED for wireless spectrum licenses. If the Transaction is not completed, the inability of the Company to participate in any wireless spectrum auction and to acquire licenses thereunder could have a material adverse effect on the current and future operations, financial condition and prospects of the Company.

The Company will incur significant costs and, in certain circumstances, may be required to pay a Termination Fee

Certain costs relating to the Transaction, such as legal, accounting, tax and financial advisory fees, must be paid by the Company even if the Transaction is not completed. In addition, if the Transaction is not completed for certain reasons, the Company may be required to pay a termination fee of $800 million to Rogers, the result of which could have a material adverse effect on the Company's business, financial position and results of operations and its ability to fund growth prospects and current operations.

The Transaction may divert the attention of management of the Company, impact the Company's ability to attract or retain key personnel or impact the Company's third-party business relationships

The Transaction could cause the attention of the Company's management to be diverted from the day-today operations of the Company. These disruptions could be exacerbated by a delay in the completion of the Transaction and could have an adverse effect on the current and future business, operations, results of operations, financial condition and prospects of the Company. Because the completion of the Transaction is subject to uncertainty, officers and employees of the Company may experience uncertainty about their future roles with the Company, which may adversely affect the Company's ability to attract or retain key management and personnel in the period until the completion or termination of the Transaction.

In addition, third parties with which the Company currently has business relationships or may have business relationships in the future, including industry partners, regulators, customers and suppliers, may experience uncertainty associated with the Transaction, including with respect to current or future relationships with the Company or Rogers. Such uncertainty could have a material and adverse effect on the current and future business, operations, results of operations, financial condition and prospects of the Company.

The Arrangement Agreement contains certain restrictions on the ability of the Company to conduct its business

Under the Arrangement Agreement, the Company must generally use its reasonable best efforts to conduct its business in the ordinary course and, prior to the completion of the Transaction or the termination of the Arrangement Agreement, the Company is subject to certain covenants which restrict it from taking certain actions without the prior consent of Rogers and which require it to take certain other actions. In either case, such covenants may delay or prevent the Company from pursuing business opportunities that may arise or preclude actions that would otherwise be advisable if the Company were to remain a standalone entity.

The financing of the Transaction

Although the Arrangement Agreement does not contain a financing condition and Rogers has received the debt commitment letter to provide for the debt financing in order to finance the Transaction, the obligation of the lenders under the debt commitment letter to provide the debt financing is subject to certain limited conditions. In the event that the Transaction cannot be completed due to the failure of Rogers to obtain financing required to close the

Transaction either because the limited conditions to the financing are not satisfied or other events arise which prevent Rogers from consummating the debt financing, the Company expects that Rogers may be unable to fund the consideration required to complete the Transaction, in which case Rogers will be required to pay a reverse termination fee of $1.2 billion to the Company and certain costs amounting to approximately $120 million relating to Rogers' exercise of its right to require Shaw to redeem all of its issued and outstanding Preferred Shares on June 30, 2021. In addition, the holders of the Class A Shares and Class B Shares will not receive the consideration under the Arrangement Agreement (as the Transaction will not be completed).

Coronavirus (COVID-19)

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," continues to have worldwide impacts. Since being recognized by the World Health Organization as a pandemic on March 11, 2020, governments worldwide have enacted emergency measures to contain the spread of the virus. These measures, which include the implementation of border closures, travel bans, self-imposed quarantine periods, self-isolation, physical and social distancing, vaccine passports and the closure (or capacity reduction) of businesses, have caused material disruption to businesses in Canada and globally which has resulted in an uncertain and challenging economic environment. The pandemic's impact on the global debt and equity capital markets caused governments and central banks to react with significant monetary and fiscal interventions designed to stabilize economic conditions. While certain interventions have been lifted, others remain in place, have been re-instated or may yet be re-instated as the pandemic continues to threaten the health of Canadians.

It is unknown at this time as to the long-term efficacy of COVID-19 vaccines and the duration of government interventions against the COVID-19 virus and potential variants. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may, directly or indirectly, materially and adversely affect the Company's operations, financial results, and condition in future periods are also subject to significant uncertainty. Such risks include, but are not limited to:

- issues delivering the Company's products and services due to employee illness, Company or government-imposed isolation programs, restrictions on the movement of personnel, retail store closures/re-openings and supply chain disruptions;
- impacts on the availability of components and electronics due to global silicon (microprocessor) supply shortages and logistical/transport issues, impacting our ability to obtain inventory, including customer premise and network equipment;
- significant additional capital expenditures and the availability of resources required to maintain, upgrade or expand our networks in order to accommodate substantially increased network usage while large numbers of our customers continue working from home;
- uncertainty associated with costs, delays and availability of resources required to complete major maintenance and expansion projects on time and budget;
- significant lost revenue in our Shaw Business segment due to the significant economic challenges that our enterprise, small and medium sized business customers are facing due to the impact of the COVID-19 pandemic;
- impacts on the availability of, and therefore our ability to provide, the content and programming our customers expect;
- uncertainty associated with the costs and availability of resources required to provide the appropriate/required levels of service to our customers through our digital and self-serve platforms;
- a material reduction in demand for, or profitability of, our products or services, acceleration in cord cutting or cord shaving by our customers, or increase in delinquent or unpaid bills, due to job losses and associated financial hardship;
- the impact of additional legislation, regulation and other government interventions in response to the COVID-19 pandemic;
- the impact of the withdrawal of COVID-19 related government support programs on customers' demand or ability to pay for our products and services;
- the negative impact on global debt and equity capital markets, including the trading price of the Company's securities;
- the inability to access capital markets at a reasonable cost; and
- the potential impairment of long-lived assets.

Any of these risks, and others, could have a material adverse effect on our business, operations, capital resources, and/or financial results of operations.

The severity and duration of impacts from the COVID-19 pandemic remain uncertain and management continues to focus on the safety of our people, most of whom continue to work from home, providing reliable connectivity to our customer base, compliance with guidelines and requirements issued by various health authorities and government organizations, and continuity of other critical business operations. In fiscal 2020, we temporarily closed retail locations nationally (with the exception of a limited number of street front stores that remained open to provide urgent customer support). As at the date of this MD&A, substantially all of the Company's retail stores are open for business

The COVID-19 pandemic continues to evolve and as governments reduce, lift or reimpose emergency measures and interventions, the Company's focus continues to be on the safety and health of its employees, the reliability of its facilities-based network and responsiveness to its customers. The Company's return to workplace plan, designed to effect the gradual and safe re-introduction of employees to the workplace, continues to be evaluated and will be implemented in phases as government-imposed restrictions on businesses and individuals are lifted.

In order to address the health and safety of its employees returning to work, the Company has or will put in place many new protocols, including vaccination requirements, enhanced cleaning measures, sanitization stations, and daily health and wellness self-assessments. The Company is updating employees on a frequent basis to provide information on the situation and on necessary precautions to take. We will continue to have an open dialogue with our employees and public safety and government officials at all levels, as well as key suppliers, partners, and customers.

Competition and Technological Change

Shaw operates in an open and competitive marketplace. Our businesses face competition from regulated and unregulated entities using existing or new technologies and from illegal services. In addition, the rapid deployment of technologies, services, and products has blurred the traditional lines between telecommunications, Internet and distribution services and further expands the competitive landscape. Shaw may also face competition from platforms that may gain advantages through regulatory processes. In addition, the industry has experienced a general reduction in barriers to entry due to technological substitution, the development of IP networks and certain recent regulatory decisions.

While Shaw continually seeks to strengthen its competitive position through investments in infrastructure, technology and customer service and through acquisitions, there can be no assurance that these investments will maintain Shaw's market share or performance in the future. New technologies in the industry may evolve faster than the historical investment cycle, potentially resulting in additional capital investments not currently planned and shorter useful lives for certain of Shaw's existing assets. New products or services introduced into the marketplace may reduce demand for Shaw's existing products and services or exert downward pricing pressure on Shaw's offerings.

The following developments in the competitive environment, trends, risks and/or uncertainties specific to areas of our business may have a material adverse effect on Shaw and its reputation, as well as its operations and/or its financial results. In each case, the competitive events, trends, risks and/or uncertainties may increase or continue to increase. Competition for new subscribers and retention of existing subscribers (churn reduction) may require substantial promotional activity and increase our cost of customer acquisition, decrease our ABPU, ARPU or all of these metrics. We expect that competition, including aggressive discounting practices by competitors to gain market share, is likely to continue to increase for all our businesses.

Consumer Internet

Shaw competes with different types of ISPs offering residential Internet access including traditional telephone companies, wireless providers and independent ISPs making use of wholesale services to provide Internet access in various markets. In urban areas competition from traditional telephone companies is increasing as they near completion on their FTTP builds, while in rural areas, new entrants leveraging Low Earth Orbit (LEO) satellite technology are offering additional connectivity options. Wireless technology, both LTE and 5G, is also becoming more broadly used for fixed wireless services, as well as through mobile hotspot or tethering features. While Shaw continues to invest in technology and infrastructure to improve its consumer Internet offerings, there can be no assurance that such investments will be sufficient to maintain or enhance the Company's competitive position with respect to new or emerging technologies.

Shaw expects that consumer demand for higher Internet access speeds and greater bandwidth will continue to be driven by bandwidth-intensive applications including streaming video, digital downloading, Internet-of-Things (IOT), remote work, video collaboration technology, interactive gaming, and cloud-based services. As described further under "Shaw's Wireline Network," Shaw continues to expand the capacity and efficiency of its wireline network to handle the anticipated increases in consumer demand for higher Internet access speeds and greater bandwidth. However, there can be no assurance that our investments in network capacity will continue to meet this increasing demand. In addition, unprecedented situations such as the COVID-19 pandemic highlighted the unpredictable nature of network traffic growth and consumer behavior.

Consumer Video

Shaw's Consumer Video services, delivered through both our wireline and satellite platforms, compete with other distributors of video and audio signals. We also compete increasingly with unregulated OTT and offerings available over Internet connections. Continued improvements in the quality of streaming video over the Internet and the increasing availability of television shows and movies online will continue to increase competition to Shaw's Consumer Video services. As a result, we continue to experience cord cutting and cord shaving in our traditional cable services and packages.

Consumer Phone

Shaw's competitors for Consumer Wireline Phone services include traditional telephone companies, other wireline carriers, and Voice over Internet Protocol (VoIP) providers. In addition, households increasingly rely on wireless services in place of wireline phone services which negatively affects the business and prospects of our Consumer Wireline Phone services.

Wireless

Freedom Mobile and Shaw Mobile are relatively new entrants in the highly competitive Canadian wireless market which is characterized by three national wireless incumbent carriers and regional participants. The national wireless incumbent carriers have larger, and more diverse spectrum holdings than Shaw, as well as larger operational and financial resources than Shaw and are well established in the market. Freedom Mobile and Shaw Mobile's ability to continue to offer and improve Wireless services and to offer new services depends on, among other factors, continued access to, and deployment of, adequate spectrum, including the ability to both renew current spectrum licences and acquire new spectrum licences (in various spectrum bands). If Freedom Mobile and Shaw Mobile cannot acquire and retain required spectrum, they may not be able to continue to offer and improve current wireless services and deploy new services on a timely basis, including providing competitive data speeds their customers want. For example, the development and utilization of 5G technology requires additional spectrum licenses. While the 5G ecosystems are expected to work on multiple frequency bands, including 600 MHz spectrum, 3500 MHz spectrum is becoming the primary band for 5G mobile coverage. Our decision not to participate in the recent 3500 MHz spectrum auction may place Shaw's wireless business at a competitive disadvantage if Shaw is unable to acquire the spectrum resources required to launch a 5G service. As a result, Freedom Mobile and Shaw Mobile's ability to attract and retain customers could be adversely affected. In addition, an inability to acquire and retain required spectrum could affect network quality and result in higher capital expenditures. See "Risks Related to the Transaction – The failure to complete the Transaction could negatively impact the Company and have a material adverse effect on the current and future operations, financial condition and prospects of the Company" for more information.

Our Wireless division may face increased competition from other facilities based or non-facilities based new entrants or alternate technologies, including as a result of regulatory decisions or government policies that favour certain competitive platforms. For further detail see "Government Regulations and Regulatory Developments – Telecommunications Act – CRTC Wireless Review."

Business Services

Shaw Business competes with other telecommunications carriers in providing high-speed data and video transport and Internet connectivity services to businesses, ISPs and other telecommunications providers. The telecommunications industry in Canada is highly competitive, rapidly evolving and subject to constant change. Shaw Business' competitors include traditional telephone companies, competitive access providers, competitive local exchange carriers, ISPs, private networks built by large end users, and other telecommunications companies. In addition, the development and implementation of new technologies by others could give rise to significant additional competition. Competitors for the delivery of voice and unified communication services include traditional telecommunications companies, resellers and new entrants to the market leveraging new technologies to deliver services. Shaw Broadcast Services also competes in industries that are highly competitive, rapidly evolving and subject to constant change.

Information Systems and Internal Business Processes

Many aspects of the Company's businesses depend to a large extent on various information technology (IT) systems and software, and on internal business processes. Shaw regularly undertakes initiatives to update and improve these systems and processes. Although the Company has taken steps to reduce the risks of failure of these systems and processes, there can be no assurance that potential failures of, or deficiencies in, these systems, processes or change initiatives will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Acquisitions, business combinations and the development and launch of new services typically require significant integration and system development efforts. The Company faces the risk that proposed IT systems or process change initiatives will not be implemented successfully, on budget, or on time. As the complexity of the Company's systems increases, system stability and availability may be affected. Failure to implement and maintain appropriate IT systems could negatively impact Shaw's reputation, operations and/or financial results.

Cyber Security Risks

Cyber attacks continue to become more frequent and sophisticated in nature with a recent increase in telecom attacks globally. Although Shaw's systems and network architecture are designed and operated to be secure, they are vulnerable to the risks of an unauthorized third party accessing these systems or its network. This could lead to a number of adverse consequences, including the unavailability, disruption or loss of Shaw's services or key functionalities within Shaw's technology systems or software; the unauthorized disclosure, corruption or loss of sensitive Company, customer or personal information; litigation, investigations, fines, and liability for failure to comply with privacy and information security laws; increased fraud; increased cyber security protection costs; and higher insurance premiums. Shaw is also exposed to information security threats as a result of actions by our customers, suppliers, third-party service providers, employees and business partners – whether maliciously or otherwise. Our insurance may not cover or be adequate to fully reimburse us for any associated costs and losses.

We continue to assess and enhance our cyber security within Shaw while we are monitoring the risks of cyber attacks and implement appropriate security policies, procedures and information technology systems to mitigate the risk of cyber attacks.

External threats to our network are constantly changing, and there is no assurance that Shaw will be able to protect its network from all future threats which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Privacy

As part of regular business activities, Shaw collects and manages personal information in compliance with applicable laws. In order to minimize privacy risk, Shaw carries out privacy impact assessments (PIAs) and Threat Risk Vulnerability Assessments (TRVAs) on new initiatives and vendor selection processes, and we regularly conduct privacy training for all Shaw employees. Despite these practices, privacy threats continue to evolve quickly, and the Company is at risk of a breach or compromise of employee or customer data or personal information, which may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results. The Company may also face regulatory penalties and legal claims in connection with non-compliance with federal and/or provincial legislation or regulations. See "Government Regulations & Regulatory Developments – Privacy and Anti-Spam Legislation – Privacy Legislation" for more information.

Impact of Regulation

As discussed under "Government Regulations and Regulatory Developments," a majority of our Canadian business activities are subject to: (i) government legislation, (ii) regulations and policies administered by various government departments and regulators, particularly ISED, Canadian Heritage and the CRTC, and (iii) conditions of licence imposed by ISED and/or the CRTC. Shaw's operations, financial results, and future prospects are affected by changes in legislation, regulations, policies, and conditions of licence, including pursuant to changes in the interpretation of existing legislation, regulations and requirements contained in such conditions of licence by courts, governments, or the regulators, in particular the CRTC, ISED, Canadian Heritage, the Competition Bureau, and the Copyright Board. These changes relate to, and may have an impact on, among other things, licensing and licence renewal, spectrum holdings, products and services, operations, competition, programming carriage and terms of carriage, strategic transactions, infrastructure access, and the potential for new or increased fees or costs. All such changes in the regulatory regime may have a material adverse effect on the Company and its operations, reputation, investment capability, ability to compete, as well as the Company's financial results and/or future prospects.

Reliance on Suppliers and Third Party Service Providers

Shaw is connected to or relies on other telecommunication carriers and certain utilities to conduct its business. Any disruption to the services provided by these suppliers, including labour strikes and other work disruptions, bankruptcies, component sourcing challenges, technical difficulties or other events affecting the business operations of these carriers or utilities may affect Shaw's ability to operate and, therefore may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results. The advent of the COVID-19 pandemic has caused disruption to global supply chains, including those on which Shaw relies to conduct its business.

The Company sources its customer premise, capital equipment, and capital builds as well as portions of its service offerings, including network, video delivery and IT functions from certain key suppliers. While the Company has alternate sources for many of these purchases, the loss of a key supplier (or the inability of a key supplier to provide such products or services for any reason) may require us to incur additional capital expenditures for the substitution of existing products and services which could adversely affect the Company's ability to operate, and therefore may have a material adverse effect on Shaw, its reputation, operations and/or its financial results. Additionally, our ability to obtain customer premise and network equipment is impacted by the availability of components and electronics. Shortages of these materials, such as global silicon (microprocessor), or logistical/transport issues, such as those caused by the ongoing COVID-19 pandemic, may also have a material adverse effect on Shaw or its operations.

In the course of fulfilling service arrangements, third-party service providers must ensure our information is appropriately protected and safeguarded. Failure to do so may affect Shaw through increased regulatory risk, reputational damage, and damage to customer experience.

There are a limited number of suppliers of popular mobile devices and there is a risk that the Company will not be able to maintain contracts for its existing supply of mobile devices and/or contract for the supply of new devices on commercially reasonable terms.

Shaw has access to global scale initiatives through partnerships with best-in-class service providers such as Comcast, Cisco Meraki, and Nokia to ensure that the technology we adopt and invest in is leading-edge in the global communications industry. There is a risk that the Company's participation in such partnerships ends or that the technology roadmap of Shaw and its partners diverges, resulting in disparate strategic approaches. Such divergence may result in higher capital requirements, prolonged development timelines of new products and services, and suboptimal performance of new products and services introduced by Shaw.

Inventory

Our Wireless division's inventory consists of devices which generally have short product lifecycles due to frequent new device introductions. The failure to effectively manage inventory levels based on product demand may increase the risk of inventory obsolescence, which could negatively impact Shaw's operations and/or financial results.

Similar to other wireless service providers, Shaw subsidizes the cost of subscriber devices to attract customers to sign a term contract with Freedom Mobile or Shaw Mobile. Shaw also commits to a minimum subsidy per unit with certain suppliers of devices. There is a risk that Shaw may be unable to recover the costs of subsidies over the term of the customer contract which could negatively impact our business, operations, or financial results.

Network Failure

Shaw's business may be interrupted by wireline or wireless network failures, including its own or third-party networks. Such network failures may be caused by fire damage, natural disaster, power loss, cyber attacks, human error, disabling devices, acts of war or terrorism, physical climate change impacts and other events which may be beyond Shaw's control. In recent years we have seen an increase in the number of severe weather events, such as forest fires (including those occurring in British Columbia during the summer of 2021) and floods, that impact our network. The Company is taking steps to mitigate the consequences of the rise in severe weather events on its networks. Despite these efforts, the Company is still subject to an increased risk of damages to its wireline and wireless networks.

As insurance premium costs are uneconomic relative to the risk of failure, Shaw self-insures its plant (underground and aerial infrastructure) in its Fibre+ network. It is likely that wireline or wireless network damage caused by any one incident would be limited by geographic area and the resulting business interruption and financial damages would also be limited. In addition, with respect to a wireline network failure, we expect the risk of loss to be mitigated as most of the backbone fibre network and much of the hybrid fibre coax, or HFC, access network is located underground.

Shaw protects its wireline and wireless networks through a number of measures, including physical and information technology security, redundancy, and ongoing maintenance and placement of insurance on our network equipment and data centres. In the past, the Company has successfully recovered from network damage caused by natural disasters without significant cost or disruption of service. To further mitigate this risk, Shaw is nearing completion on the build of multiple new diverse fibre routes across British Columbia, as well as other provinces. Additionally, to further increase the resiliency of our fibre infrastructure in areas that are prone to fire and wind damage, we are shifting construction to underground builds, where possible, rather than aerial. The new routes and underground builds, along with ongoing investments to increase the resiliency of critical infrastructure sites and the build of a hub on wheels to allow for rapid restoration from the total loss of a hubsite, will continue to increase the resiliency of Shaw's backbone network.

Despite the steps Shaw takes to reduce the risk of wireline and wireless network failure, failures may still occur, and such failures could negatively affect levels of customer service and relationships which may have a material adverse effect on Shaw and its reputation, as well as its operations and/or financial results.

Shaw's networks may also experience unexpected capacity pressures as a result of the impact of the COVID-19 pandemic which could negatively affect network performance and the Company's ability to provide services. Negative impacts on network availability, speed, and consistency could have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Customer Experience

Shaw's customer loyalty, retention, and likelihood to recommend Shaw all depend on our ability to provide a seamless connectivity experience that meets or exceeds their expectations. To meet customer's needs, the Company has modernized several aspects of its Wireline operations to better serve today's customer, including shifting some self-serve interactions to digital platforms, while maintaining professional install and in-person technical support for customer touchpoints that improve overall satisfaction. The Company continues to simplify manual processes that improve its customers overall connectivity experience and day-to-day operations for our employees.

The complexity in our operations due to the use of multiple technology platforms, billing systems, sales channels, marketing databases as well as different rate plans, promotions, and product offerings may limit the Company's ability to respond quickly to market changes and lead to billing, service, or other errors, which may adversely affect customer satisfaction and retention. The failure to sustain and expand customer relationships through quality products/services, and customer service could have a material adverse effect on our business, financial condition, reputation, and/or results of operations.

Shaw uses data analytics tools to perform customer segmentation, improve our offerings to customers, and support corporate decision-making. If the data behind these tools is poor or our analytical tools are not well designed, there is a risk they will not be effective in predicting our customers' needs and wants. The realization of these risks could negatively impact our business and/or reputation.

Satellite

Shaw uses three satellites (Anik F2, Anik F3 and Anik G1) owned by Telesat to provide satellite services in our Consumer division. Effective October 1, 2019, the Company transferred its ownership interest in the 16 Anik F2 transponders, adjusted its satellite traffic on the Anik F1R and Anik F2 satellites, and renewed its capacity service agreements in place on Anik F1R, Anik F2, and Anik G1 until the effective end-of-life dates of such satellites. In connection with the Company's digital network upgrade (DNU) program, the Company has effectively optimized satellite traffic, enabling a reduction in the total number of transponders required by the Company to conduct its business and absorbing the previous capacity leased on Anik F1R prior to this satellite reaching the end of its serviceable life in August 2021. The Company continues to assess its long term satellite capacity requirements with no assurance that replacement transponder capacity will be available or that agreements for such capacity will be entered into on favourable terms. This may have a material adverse effect on customer service and customer relationships, as well as the Company's reputation, operations and/or financial results.

The Company does not maintain any insurance coverage for the transponders on Anik F2, Anik F3 and Anik G1 as it believes the costs are uneconomic relative to the benefit which could be otherwise derived through an arrangement with Telesat. As collateral for the transponder capacity pre-payments that were made by the Company to facilitate the construction of the satellites, the Company maintains a security interest in the transponder capacity and any related insurance proceeds that Telesat recovers in connection with an insured loss event.

The Company does not maintain business interruption insurance covering damage related to the loss of use of one or more of the transponders on the satellites as it believes that the insurance premium costs are uneconomic relative to the risk of transponder and/or satellite failure. The majority of transponder capacity is available to the Company on an unprotected, non-pre-emptible basis. The Company has the option to contract transponders with excess capacities on Anik F2, subject to availability. In the event of satellite failure, service will be restored as capacity becomes available. Restoration of satellite service on another satellite may require repositioning or re-pointing of customers' receiving dishes, an upgrade to their video receivers or customers may require a larger dish. The Anik G1 satellite has a switch feature that allows whole channel services (transponders and available spares) to be switched from extended Ku-band to Ku-band, which provides the Company with limited back-up to restore failed whole channel services of Anik F2 or augment overall Ku-band capacity if the need arises. The Company has reserved limited access to Ku band frequencies in the 107.3 orbital location to enable the switching feature, subject to availability. Satellite failure could negatively affect levels of customer service and customer relationships and may have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

The provision of Internet connectivity in rural areas by new entrants leveraging LEO satellite technology may accelerate cord cutting and/or cord shaving trends among Shaw Direct customers.

Economic Conditions

The Canadian economy is affected by uncertainty in global financial and equity markets, and slowdowns in national and/or global economic growth. Changes in economic conditions, which may differ across our regional footprint, may affect discretionary consumer and business spending, resulting in increased or decreased demand for Shaw's product offerings. Current or future events caused by volatility in domestic or international economic conditions or a decline in economic growth may have a material adverse effect on Shaw, its operations and/or financial results. The advent of the COVID-19 pandemic has exacerbated both the uncertainty and volatility in economic growth rates.

Programming Expenses

Expenses for video programming continue to be one of our most significant operating expenses. Costs may continue to increase, particularly for sports programming. In addition, as we add programming or distribute existing programming to more of our subscriber base, programming expenses increase. Although we have been successful at reducing the impact of these cost increases through the sale of additional services or increasing subscriber rates, there can be no assurance that we will continue to be able to do so and this may have a material adverse effect on Shaw, its operations and/or its financial results.

Roaming Agreements

Shaw and/or its wholly owned subsidiaries have entered into roaming agreements with multiple carriers in Canada and around the world to extend its national and worldwide coverage. If the Company is unable to extend its national and worldwide wireless coverage, or renew or substitute for those roaming agreements at their respective existing terms or on commercially reasonable terms, the Company may be placed at a competitive disadvantage, which could adversely affect its ability to operate its Wireless business, as well as its reputation and customer experience. In addition, if the Company is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition, and results of Wireless operations could be adversely affected.

The three incumbent national wireless carriers are required by CRTC regulation to provide domestic wholesale roaming services to Shaw and other facilities-based wireless competitors at regulated rates. Changes to the regulated rates or other terms in the wholesale roaming policy could negatively impact the Company's wireless financial results, growth prospects, and operational flexibility. For further detail see "Government Regulations and Regulatory Developments – Telecommunications Act – CRTC Wireless Review."

Talent Management and Succession Planning

Shaw's success is substantially dependent upon the retention and the continued performance of our executive officers. Many of these executive officers are uniquely qualified in their areas of expertise, making it difficult to replace their services in the short to medium term. The loss of the services of any key executives and/or employees in critical roles or inadequate processes designed to attract, develop, motivate, and retain productive and engaged employees could have a material adverse effect on Shaw, its operations and/or financial results. To mitigate this risk, the Company's comprehensive compensation program is designed to attract, retain, motivate, and reward the executive team and key employees through aligning management's interest with our business objectives and performance.

Furthermore, in light of the announcement of the Transaction, the Company has provided retention packages for members of the senior leadership team as well as key employees to ensure cooperation and appropriate motivation and alignment of interests of employees in connection with the Arrangement, to retain them during the interim period between the signing of the Arrangement Agreement and the closing of the Transaction, and to compensate them for additional work they will be required to perform as a result of the Transaction (in addition to the full time work they perform for the Company on a daily basis).

Labour Relations

As at August 31, 2021, approximately 5% of our employees are represented by unions under collective bargaining agreements. While the Company strives to maintain positive labour relations, we can neither predict the outcome of current or future negotiations relating to labour disputes, union representation, or renewal of collective bargaining agreements, nor be able to avoid future work stoppages, strikes, or other forms of labour protests pending the outcome of any current or future negotiations. A prolonged work stoppage, strike or other form of labour protest could have a material adverse effect on our businesses, operations, and reputation. Even if the Company does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect our businesses and results of operations. In addition, our ability to make short-term adjustments to control compensation and benefits costs could be limited by the terms of such collective bargaining agreements. To support all leaders and employees, we continually listen to remove barriers and respond in real-time to needs and concerns. We also continue to provide support for leaders on how to manage change and maintain positive employee engagement and relations.

Climate Change

Climate change risks are important considerations for Shaw. These risks have been classified as two main types – physical risks and transition risks – which are described in further detail below.

Physical Risks

In accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we recognize that climate change may increase the severity, duration, and frequency of natural hazards and weather-related events. These in turn may negatively impact our business, which may require us to protect, test, maintain, repair, and replace our networks, IT systems, equipment and other infrastructure. For example:

- increased temperatures could impact our networks, IT systems, equipment and other infrastructure which could require the installation of additional cooling devices;

- acute risks (e.g., ice storms, extreme precipitation, flooding, fires, hurricanes, tornados, tsunamis) and chronic risks (e.g., sea-level rise) could impact or destroy our facilities or network, equipment, and other infrastructure, and affect our employees' ability to safely perform work. These impacts may increase our insurance related expenses, and affect our ability to deliver products and services; and
- climate change related impacts to our key suppliers could adversely affect their ability to supply us with required products and services.

The occurrence of any of these events could have a material adverse effect on our operations and/or financial results. See also "Network Failure" risks above which could increase in severity and/or frequency as a result of climate change related natural disasters.

With the exception of our network equipment and data centres, we self-insure our Fibre+ network and, as a result, have limited insurance coverage against the losses resulting from natural disasters affecting our Fibre+ network. For further detail see "Network Failure" above.

Although we have business continuity/resumption plans and disaster recovery plans and strategies in place, the failure of any of our climate change mitigation and adaptation efforts (including response strategies and business continuity protocols) may affect our business through potential disruption of our operations, damage to our facilities and infrastructure, and affect the communities that we operate in and serve, which may have a material adverse effect on Shaw and its reputation, as well as its operations, prospects and/or financial results.

Transition Risks

Climate change is drawing more attention through evolving public interest as well as government regulation and policy.

- **Policy & legal risk:** Many aspects of our operations are subject to evolving and increasingly stringent federal, provincial, and local environmental, health, and safety laws and regulations. These laws and regulations impose requirements with respect to matters such as fuel storage, the recovery and recycling of end-of-life electronic products, greenhouse gas emissions, the release of substances into the environment, corrective and remedial action concerning such releases, and the proper handling, management and disposal of substances. These evolving considerations and more stringent laws and regulations could lead to increased costs for compliance, which could be material. For example, we may be required to incur additional capital expenditures from substituting existing products and services with lower emissions options. The Company may also incur increased operational costs due to higher fuel and energy prices resulting from carbon taxes and/or cap and trade programs.
- **Reputational Risk:** Failure to recognize and adequately respond to changing environmental matters and expectations, or to comply with environmental laws and regulations, could result in fines, new regulatory obligations and associated costs, or damage to our reputation or brand any of which could have a material adverse effect on our operations and/or financial results.

On December 7, 2020, Shaw issued its inaugural ESG report to provide stakeholders (i.e. customers, employees, investors, supply chain partners and regulators) with an overview of our ESG program, including Shaw's goals and actions. Shaw's ESG report can be found at https://www.shaw.ca/corporate/environmental-social-governance.

As part of the development of the ESG program, we integrated climate-related considerations into our governance and risk management practices.

Interest Rates, Foreign Exchange Rates and Capital Markets

Shaw has the following financial risks in its day-to-day operations:

(a) **Interest rates**: Due to the capital-intensive nature of Shaw's operations, the Company uses long-term financing extensively in its capital structure. The primary components of this structure include banking facilities and various Canadian denominated senior notes and debentures with varying maturities issued in the public markets. These are more fully described in Note 13 to the Consolidated Financial Statements.

Interest on bank indebtedness is based on floating rates while the senior notes are all fixed-rate obligations. If required, Shaw uses its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. Increases in interest rates may have a material adverse effect on Shaw, its operations and/or its financial results.

(b) **Capital markets**: Shaw requires or may require ongoing access to capital markets to support its operations. Changes in capital market conditions, including significant changes in market interest rates or lending practices, or changes in Shaw's credit ratings, may adversely affect our ability to raise or refinance short-term or long-term debt and therefore may have a material adverse effect on Shaw, its operations and/or its financial results.

Shaw manages its exposure to floating interest rates by maintaining a mix of fixed and floating rate debt. Interest on the Company's unsecured credit facility and accounts receivable securitization program are based on floating rates, while the senior notes are all fixed rate obligations.

As at August 31, 2021, virtually all of Shaw's consolidated long-term debt was fixed with respect to interest rates.

The Company may also enter into derivative contracts, primarily forward contracts, to mitigate its exposure to foreign exchange and interest rate risks. While hedging and other efforts to manage these risks are intended to mitigate Shaw's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. For instance, if Shaw hedges its floating interest rate exposure, it may forego the benefits that may otherwise be experienced if rates were to fall and it is subject to credit risks associated with the counterparties with whom it contracts. In order to minimize the risk of counterparty default under its derivatives agreements, Shaw assesses the creditworthiness of its derivative counterparties. Further information concerning the policy and use of derivative financial instruments is contained in Notes 2 and 30 to the Consolidated Financial Statements.

Litigation

Shaw and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although management does not expect that the outcome of these matters will have a material adverse effect on the Company, there can be no assurance that these matters, or other legal matters that arise in the future, will not have a material adverse effect on Shaw and its reputation, as well as Shaw's operations and/or financial results.

Shaw is a public company with shares trading on the Toronto and New York stock exchanges. As a result, the Company may be subject to civil liability under Canadian and US securities laws for alleged misrepresentations by the Company in its public disclosure documents and/or oral statements.

Legal and Ethical Compliance

Shaw expects and relies on its employees, officers, Board of Directors, contractors, suppliers, and other business partners to act in accordance with applicable legal and ethical standards in all jurisdictions in which we operate, including, but not limited to, anti-bribery, anti-corruption, and anti-money laundering laws and regulations. Situations where Shaw's employees, officers, Board of Directors, contractors, suppliers, and other business partners do not adhere to applicable laws and regulations, the Company's policies or its contractual obligations, whether inadvertently or intentionally, may expose the Company to litigation and the possibility of damages, sanctions, and fines, or of being disqualified from bidding on contracts, which may have a material adverse effect on Shaw and its reputation, as well as its operations, prospects, and/or financial results.

Taxes

Shaw's business is subject to various tax laws, changes to tax laws and the adoption of new tax laws, regulations thereunder and interpretations thereof, which may have adverse tax consequences to Shaw.

While Shaw believes it has adequately provided for all income and commodity taxes based on information that is currently available, the calculation and the applicability of taxes in many cases require significant judgment in interpreting tax rules and regulations. In addition, Shaw's tax filings are subject to government audits which could result in material changes in the amount of current and deferred income tax assets and liabilities and other liabilities which may, in certain circumstances, result in the assessment of interest and penalties.

Concerns about Alleged Health Risks relating to Radiofrequency Emissions

Concerns about alleged health risks relating to radiofrequency emissions may adversely affect our Wireless division and our Shaw Go WiFi operations. Some studies have alleged that links exist between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. The Company complies with all applicable laws and regulations. Further, the Company relies on suppliers of wireless network equipment and customer equipment to meet or exceed all applicable regulatory and safety requirements. No definitive evidence exists of harmful effects from exposure to radiofrequency emissions when legal limits are complied with. Additional studies of radiofrequency emissions are ongoing and we cannot be certain of results, which could result in additional or more restrictive regulation or exposure to potential litigation.

Acquisitions, Dispositions and Other Strategic Transactions

Shaw may from time to time make acquisitions to expand its existing businesses or to enter into sectors in which Shaw does not currently operate, dispositions to focus on core offerings or enter into other strategic transactions. Such acquisitions, dispositions and/or strategic transactions may fail to realize the anticipated benefits, result in unexpected costs, result in unexcepted liabilities that were not uncovered through the due diligence process and/or Shaw may have difficulty incorporating or integrating the acquired business, any of which may have a material adverse effect on Shaw, its operations and/or financial results. Under the terms of the Arrangement Agreement, and prior to the completion of the Transaction or the termination of the Arrangement Agreement, the Company is subject to covenants which restrict it from making certain acquisitions, dispositions or other strategic transactions without Rogers' consent. For further detail, refer to the Arrangement Agreement and the management information circular, filed March 15, 2021 and April 23, 2021, respectively, on Shaw's SEDAR profile at www.sedar.com and EDGAR profile at www.sec.gov/edgar.shtml.

Dividend Payments are not Guaranteed

Shaw currently pays monthly common share dividends in amounts approved on a quarterly basis by the Board of Directors. Over the long term, Shaw expects to continue to pay dividends from its free cash flow; however, balance sheet cash and/or credit facilities may be used to fund dividends from time to time. Although Shaw intends to make regular dividend payments, dividends are not guaranteed as actual results may differ from expectations and there can be no assurance that the Company will continue common share dividend payments at the current level. In addition to the standard legislated solvency and liquidity tests that must be met, the Company would not be able to declare and pay dividends if there was an event of default or a pending event of default would result (as a consequence of declaring and paying dividends) under its credit facilities.

Under the terms of the Arrangement Agreement entered into with Rogers, the Company is restricted in its ability to increase the amount of the dividend payments prior to the completion of the Transaction without Rogers' consent.

Holding Company Structure

Substantially all of Shaw's business activities are operated by its subsidiaries. As a holding company, our ability to meet our financial obligations is dependent primarily upon the receipt of interest and principal payments on intercompany advances, management fees, cash dividends and other payments from our subsidiaries together with proceeds raised by the Company through the issuance of equity and the incurrence of debt, and from proceeds received on the sale of assets. The payment of dividends and the making of loans, advances and other payments to Shaw by its subsidiaries may be subject to statutory or contractual restrictions, are contingent upon the earnings of those subsidiaries and are subject to various business and other considerations.

Control of the Company

Voting control of the Company is held by SFLT and its subsidiaries. As at October 29, 2021, SFLT and its subsidiaries held, directly or indirectly, or exercised control or direction over 17,662,400 Class A Shares, representing approximately 79% of the issued and outstanding Class A Shares, for the benefit of the descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board consisting of seven directors, including as at October 29, 2021, Bradley S. Shaw, four other members of his family, and two independent directors.

The Class A Shares are the only shares entitled to vote in all circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A Shares.

SUMMARY OF QUARTERLY RESULTS

Below is a quarterly summary of the Company's consolidated financial results and selected key performance drivers for fiscal 2021 and 2020.

	2021				2020			
(millions of Canadian dollars except per share amounts)	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Revenue	**1,377**	**1,375**	**1,387**	**1,370**	1,349	1,312	1,363	1,383
Adjusted EBITDA [1]	**614**	**642**	**637**	**607**	594	609	600	588
Restructuring costs	**—**	**(1)**	**(1)**	**(12)**	—	(14)	—	—
Amortization	**(310)**	**(300)**	**(303)**	**(305)**	(312)	(302)	(300)	(303)
Amortization of financing costs	**—**	**(1)**	**—**	**(1)**	(1)	—	(1)	(1)
Interest expense	**(67)**	**(31)**	**(67)**	**(66)**	(68)	(67)	(68)	(71)
Other income (expense)	**(6)**	**(21)**	**26**	**(2)**	(1)	7	(19)	(3)
Income taxes	**21**	**66**	**(75)**	**(58)**	(37)	(49)	(45)	(48)
Net income [2]	**252**	**354**	**217**	**163**	175	184	167	162
Earnings per share								
Basic and diluted	**0.50**	**0.70**	**0.43**	**0.31**	0.34	0.35	0.32	0.31
Other Information								
Cash flows from operating activities	**590**	**560**	**473**	**300**	632	588	361	339
Free cash flow [1]	**180**	**308**	**248**	**225**	152	221	191	183
Capital expenditures and equipment costs	**287**	**233**	**250**	**233**	307	268	276	260

(1) See "Key Performance Drivers" for more information about these non-GAAP financial measures.
(2) Net income attributable to both equity shareholders and non-controlling interests.

F21 Q4 **vs** F21 Q3	In the fourth quarter of fiscal 2021, net income decreased $102 million compared to the third quarter of fiscal 2021 mainly due to a $36 million increase in interest expense and a $126 million increase in current taxes in the fourth quarter as a result of a revision to liabilities for uncertain tax positions which reduced these expenses by $35 million and $125 million respectively in the third quarter as well as a $28 million decrease in adjusted EBITDA partially offset by an $81 million decrease in deferred taxes resulting mainly from the recognition of a tax benefit associated with previously unrecognized tax losses and a decrease of $15 million in other expenses mainly due to lower Transaction related costs, all in the fourth quarter.
F21 Q3 **vs** F21 Q2	In the third quarter of fiscal 2021, net income increased $137 million compared to the second quarter of fiscal 2021 mainly due to a $131 million decrease in current income taxes expense and a $36 million decrease in interest expense mainly due to a revision to liabilities for uncertain tax positions that became statute barred in the period, which reduced these expenses by $125 million and $35 million respectively, a $9 million decrease in deferred taxes, and a $5 million increase in adjusted EBITDA, partially offset by $18 million in Transaction related advisory, legal, financial, and other professional fees in the third quarter and the impact of the $27 million fair value gain on private investments recorded in the second quarter.
F21 Q2 **vs** F21 Q1	In the second quarter of fiscal 2021, net income increased $54 million compared to the first quarter of fiscal 2021 mainly due to a $30 million increase in adjusted EBITDA, an $11 million decrease in restructuring costs, and a $27 million fair value gain on private investments recorded in the second quarter, partially offset by a $9 million increase in deferred taxes and an $8 million increase in current taxes, all in the second quarter.
F21 Q1 **vs** F20 Q4	In the first quarter of fiscal 2021, net income decreased $12 million compared to the fourth quarter of fiscal 2020 mainly due to a $12 million increase in restructuring costs in the first quarter and a $27 million increase in deferred taxes, partially offset by a $13 million increase in adjusted EBITDA and a $6 million decrease in current taxes, all in the first quarter.
F20 Q4 **vs** F20 Q3	In the fourth quarter of fiscal 2020, net income decreased $9 million compared to the third quarter of fiscal 2020 mainly due to a $15 million decrease in adjusted EBITDA and a $23 million increase in current taxes in the fourth quarter as well an $8 million decrease in other gains as a result of an insurance claim recovery in the third quarter partially offset by a $35 million decrease in deferred taxes and a $14 million decrease in restructuring costs in the fourth quarter.

F20 Q3 **vs** F20 Q2	In the third quarter of fiscal 2020, net income increased $17 million compared to the second quarter of fiscal 2020 mainly due to a $26 million increase in other gains/losses, which includes the impact of the $17 million payment related to the early redemption of $800 million in senior notes in the second quarter, a $6 million insurance claim recovery, a $9 million increase in adjusted EBITDA in the third quarter and a $4 million decrease in current taxes, offset by a $14 million restructuring cost and an $8 million increase in deferred taxes, also in the third quarter.
F20 Q2 **vs** F20 Q1	In the second quarter of fiscal 2020, net income increased $5 million compared to the first quarter of fiscal 2020 mainly due to a $13 million decrease in current taxes, a $12 million increase in adjusted EBITDA and a $3 million decrease in interest expense, all in the second quarter, partially offset by a $17 million payment related to the early redemption of $800 million in senior notes and a $10 million increase in deferred taxes, also in the second quarter.
F20 Q1 **vs** F19 Q4	In the first quarter of fiscal 2020, net income decreased $4 million compared to the fourth quarter of fiscal 2019 mainly due to a $23 million decrease in deferred taxes in the first quarter. This was partially offset by a $7 million increase in current taxes in the first quarter as well as the net impact of the adoption of IFRS 16 which resulted in a decrease to operating, general and administrative costs that was more than offset by increases to amortization of property, plant and equipment, intangibles and other and interest expense.

Fourth Quarter 2021 Highlights

The following discusses the results for the fourth quarter of fiscal 2021 (three-month period ended August 31, 2021) as compared with the results from the fourth quarter of fiscal 2020 (three-month period ended August 31, 2020).

Revenue

Consolidated revenue increased 2.1% year-over-year to $1.38 billion.

- Wireless revenue of $321 million for the fourth quarter of fiscal 2021 increased $27 million, or 9.2%, over the fourth quarter of fiscal 2020. The increase was driven mainly by higher service revenues which contributed an incremental $22 million, or 10.4%, to consolidated revenue primarily due to an increased subscriber base, including significant Shaw Mobile additions, which was complemented by an increase in equipment revenue of $5 million, or 6.0%, over the previous year. Fourth quarter ARPU decreased 5.7% to $37.39 reflecting Shaw Mobile customer growth.
- Consumer division revenue decreased $7 million, or 0.8%, to $910 million as growth in Internet revenue was offset by declines in Video, Satellite, and Phone subscribers and revenue.
- Business division revenue of $149 million increased $9 million, or 6.4%, as a result of Internet revenue growth and continued demand for the Smart suite of products, despite the challenging circumstances due to impacts of COVID-19 and considering the majority of Shaw Business revenue comes from the small to medium sized business sector.

Adjusted EBITDA

Adjusted EBITDA for the fourth quarter of $614 million increased $20 million, or 3.4%, from $594 million in the comparable prior year quarter.

- Wireless adjusted EBITDA of $106 million for the fourth quarter of fiscal 2021 improved by $22 million, or 26.2%, over the fourth quarter of fiscal 2020 primarily due to continued service revenue growth. Adjusted EBITDA results include a reduction in bad debt expense compared to the prior year quarter as COVID-19 did not have a significant impact on our customers' ability to pay their bills as expected, combined with an increased focus on collecting aged receivables.
- Wireline adjusted EBITDA for the fourth quarter of fiscal 2021 of $508 million decreased $2 million, or 0.4%, from $510 million in the fourth quarter of fiscal 2020.

Adjusted EBITDA margin

Adjusted EBITDA margin for the fourth quarter of 44.6% increased 60-basis points compared to 44.0% in the fourth quarter of fiscal 2020.

Capital expenditures and equipment

In the fourth quarter of fiscal 2021, capital investment of $287 million decreased $20 million from the comparable period in fiscal 2020. Total Wireline capital spending of $221 million increased by approximately $29 million year-over-year primarily due to higher investments in the combined upgrades, enhancements and replacement categories as well as an increase in new housing development. Wireless spending of $66 million decreased by approximately $49 million year-over-year primarily due to lower planned investments in the quarter.

Amortization

Amortization of $310 million decreased 0.6% compared to the fourth quarter of 2020. The decrease in amortization is mainly due to a decrease in deferred equipment costs in the quarter partially offset by the amortization of new expenditures of property, plant and equipment and intangibles exceeding the amortization of those assets that became fully amortized during the period.

Interest

Interest expense of $67 million for the fourth quarter decreased $1 million over the comparable prior year quarter mainly due to the lower average outstanding debt balances in the period.

Free cash flow

Free cash flow for the quarter of $180 million compared to $152 million in the comparable prior year quarter. The increase was largely due to higher adjusted EBITDA and lower capital expenditures.

Income taxes

Income taxes were lower in the quarter compared to the fourth quarter of fiscal 2020 due mainly to the recognition of a $78 million tax benefit associated with previously unrecognized tax losses in the fourth quarter of 2021 driven by management's expectations that sufficient future taxable profit will be available to fully utilize such losses.

Seasonality and Trends

While financial results for the Company are generally not subject to significant seasonal fluctuations, subscriber activity may fluctuate from one quarter to another. Subscriber activity may also be affected by competition and Shaw's promotional activity. Our Video subscriber activity is influenced by cord shaving and cord cutting trends, which has resulted in fewer subscribers watching traditional cable TV, as well as a lower number of TV subscribers. In addition, trends in the use of wireless products and Internet or social media as substitutes for traditional home phone products have resulted in fewer Phone subscribers. Satellite subscriber activity is modestly higher around the summertime when more subscribers have second homes in use. Wireless subscriber activity is influenced by the launch of popular new mobile devices, seasonal promotional periods, and the level of competitive intensity. Our first and fourth quarters typically experience higher volumes of wireless competitive activity as a result of back to school and holiday season-related consumer behavior. Aggressive promotional offers are often advertised during these periods which can impact our Wireless subscriber metrics. Shaw's Wireline and Wireless businesses do not depend on any single customer or concentration of customers.

Furthermore, due to uncertainties relating to the severity, duration and continuing impact of the COVID-19 pandemic, it is difficult at this time to estimate the impacts of the COVID-19 pandemic on our business and future financial results. Therefore, the trends experienced during the COVID-19 pandemic, including impacts on consumer demand and spending, may not fully reflect the typical seasonal variations experienced by our business. Accordingly, it is difficult at this time to evaluate the impacts of the COVID-19 pandemic on the seasonality trends that normally characterize our business.

Growth (losses) in subscriber statistics as follows:

	2021					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	**1,390,520**	**(34,437)**	**(26,497)**	**(20,917)**	**(25,790)**	**1,282,879**
Video – Satellite	**650,727**	**(33,587)**	**(13,508)**	**(861)**	**(12,193)**	**590,578**
Internet	**1,903,868**	**(15,068)**	**(5,425)**	**1,283**	**5,094**	**1,889,752**
Phone	**672,610**	**(23,760)**	**(20,418)**	**(15,777)**	**(17,075)**	**595,580**
Total Consumer	**4,617,725**	**(106,852)**	**(65,848)**	**(36,272)**	**(49,964)**	**4,358,789**
Video – Cable	**37,512**	**(33)**	**330**	**29**	**(728)**	**37,110**
Video – Satellite	**36,002**	**2,365**	**(1,903)**	**(1,302)**	**4,928**	**40,090**
Internet	**178,270**	**1,191**	**369**	**1,131**	**1,162**	**182,123**
Phone	**387,660**	**2,422**	**1,022**	**(47)**	**(785)**	**390,272**
Total Business	**639,444**	**5,945**	**(182)**	**(189)**	**4,577**	**649,595**
Total Wireline	**5,257,169**	**(100,907)**	**(66,030)**	**(36,461)**	**(45,387)**	**5,008,384**
Wireless – Postpaid	**1,482,175**	**87,296**	**75,069**	**46,604**	**48,145**	**1,739,289**
Wireless – Prepaid	**339,339**	**13,733**	**7,228**	**4,404**	**12,378**	**377,082**
Total Wireless	**1,821,514**	**101,029**	**82,297**	**51,008**	**60,523**	**2,116,371**
Total Subscribers	**7,078,683**	**122**	**16,267**	**14,547**	**15,136**	**7,124,755**

	2020					
Subscriber Statistics	**Opening**	**First**	**Second**	**Third**	**Fourth**	**Ending**
Video – Cable	1,478,371	(13,948)	(19,310)	(21,604)	(32,989)	1,390,520
Video – Satellite	703,223	(31,875)	(13,211)	(110)	(7,300)	650,727
Internet	1,911,703	5,648	6,072	(5,103)	(14,452)	1,903,868
Phone	767,745	(26,178)	(23,547)	(20,648)	(24,762)	672,610
Total Consumer	4,861,042	(66,353)	(49,996)	(47,465)	(79,503)	4,617,725
Video – Cable	41,843	1,622	(2,779)	(4,854)	1,680	37,512
Video – Satellite	35,656	2,333	1,099	(4,835)	1,749	36,002
Internet	173,686	694	(338)	82	4,146	178,270
Phone	379,434	4,253	1,509	1,779	685	387,660
Total Business	630,619	8,902	(509)	(7,828)	8,260	639,444
Total Wireline	5,491,661	(57,451)	(50,505)	(55,293)	(71,243)	5,257,169
Wireless – Postpaid	1,313,828	66,865	54,289	2,236	44,957	1,482,175
Wireless – Prepaid	344,357	(8,954)	(3,230)	(7,701)	14,867	339,339
Total Wireless	1,658,185	57,911	51,059	(5,465)	59,824	1,821,514
Total Subscribers	7,149,846	460	554	(60,758)	(11,419)	7,078,683

RESULTS OF OPERATIONS

OVERVIEW OF FISCAL 2021 CONSOLIDATED RESULTS

(millions of Canadian dollars except per share amounts)	2021 (1)	2020 (1)	2019	Change 2021 %	Change 2020 %
Operations:					
Revenue	**5,509**	5,407	5,340	1.9	1.3
Adjusted EBITDA(2)	**2,500**	2,391	2,154	4.6	11.0
Adjusted EBITDA margin(2)	**45.4%**	44.2%	40.3%	2.7	9.7
Funds flow from operations(3)	**2,249**	1,989	1,777	13.1	11.9
Net income	**986**	688	733	43.3	(6.1)
Free cash flow(2)	**961**	747	538	28.6	38.8
Balance sheet:					
Total assets	**15,792**	16,165	15,646		
Long-term financial liabilities					
Long-term debt (including current portion)	**4,550**	4,548	5,308		
Lease liabilities (including current portion)	**1,245**	1,270	–		
Per share data:					
Basic and diluted earnings per share	**1.94**	1.32	1.41		
Weighted average number of participating shares outstanding during period (millions)	**504**	515	511		
Cash dividends declared per share					
Class A	**1.1825**	1.1825	1.1825		
Class B	**1.1850**	1.1850	1.1850		

(1) Fiscal 2021 and 2020 figures reflect the impact of the adoption and application of IFRS 16 while fiscal 2019 figures do not and are not comparable.
(2) See "Key Performance Drivers" for more information about these non-GAAP financial measures and non-GAAP ratio.
(3) Funds flow from operations is presented before changes in non-cash working capital as presented in the Consolidated Statements of Cash Flows.

Revenue and Adjusted EBITDA

Consolidated revenue increased 1.9% year-over-year to $5.51 billion and adjusted EBITDA increased 4.6% year-over-year to $2.50 billion. Fiscal 2021 results include incremental Wireline Consumer revenue of approximately $20 million related to the release of a provision following the CRTC decision on final aggregated TPIA rates and higher equity-based compensation costs of approximately $24 million due to the significant increase in Shaw's share price in connection with the Transaction announcement on March 15, 2021. In addition, fiscal 2021 adjusted EBITDA results include a reduction in bad debt expense compared to the prior periods of approximately $28 million for the year as COVID-19 did not have a significant impact on our customers' ability to pay their bills as expected, combined with an increased focus on collecting aged receivables. For further discussion of divisional performance see "Segmented Operations Review."

Consolidated revenue of $5.51 billion for fiscal 2021 improved 1.9% over $5.41 billion for fiscal 2020. Revenue improved primarily due to the Wireless division contributing revenues of $1,272 million in fiscal 2021 as compared to $1,166 million in the prior year. The year-over-year improvement in Wireless revenue of $106 million, or 9.1%, reflects higher service revenues of $76 million due to an increased subscriber base, including significant Shaw Mobile additions, along with an increase in equipment revenues of $30 million. Wireline division revenues of $4,249 million in fiscal 2021 were essentially flat compared to $4,250 million in the prior year. Business division revenues increased $17 million, or 3.0%, mainly due to Internet revenue growth and continued demand for the Smart suite of products, despite the challenging circumstances due to impacts of COVID-19 and considering the majority of Shaw Business revenue comes from the small to medium sized business sector. These increases were fully offset by the Consumer division as revenues decreased $18 million, or 0.5%, compared to fiscal 2020 as the incremental $20 million in revenue related to the third quarter release of a provision following the CRTC decision on the final aggregated TPIA rates that date back to August 2019 and growth in Internet revenue were fully offset by declines in Video, Satellite, and Phone subscribers and revenue.

Adjusted EBITDA of $2,500 million for the twelve-month period improved 4.6% compared to $2,391 million for fiscal 2020. The improvement was primarily due to the Wireless division contributing $393 million over the twelve-month period as compared to $337 million in fiscal 2020 while the Wireline division contributed $2,107 million over the twelve-month period as compared to $2,054 million in fiscal 2020. The Wireless increase of $56 million, or 16.6%, over the comparable period primarily reflects an increase in service revenues, improved equipment margins, and a $15 million decrease in bad debt expense, partially offset by additional costs in connection with the expansion of the Shaw retail footprint in the current year. Wireline adjusted EBITDA of $2,107 million for fiscal 2021 increased 2.6%, resulting in a Wireline operating margin of 49.6%, an improvement of 130-basis points over fiscal 2020. The increase primarily reflects the impact of decreased operating costs, including a $13 million decrease in bad debt expense, partially offset by a decrease in Consumer revenue and an increase in equity-based compensation costs as noted above.

Restructuring costs

Restructuring costs generally include severance, employee related costs and other costs directly associated with a restructuring program. During the first, second and third quarters of fiscal 2021, the Company made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. In connection with the restructuring, the Company recorded costs of $12 million in the first quarter of fiscal 2021, $1 million in the second quarter, and $1 million in the third quarter of fiscal 2021 primarily related to severance and employee related costs.

Amortization

(millions of Canadian dollars)	2021	2020	Change %
Amortization revenue (expense)			
Deferred equipment revenue	**11**	16	(31.3)
Deferred equipment costs	**(47)**	(65)	(27.7)
Property, plant and equipment, intangibles and other	**(1,183)**	(1,168)	1.3

Amortization of deferred equipment revenue and deferred equipment costs decreased 31.3% and 27.7% respectively for the year ended August 31, 2021 as a result of declining satellite equipment purchases and installations during the year compared with prior years. Amortization of property, plant and equipment, intangibles and other increased 1.3% for the year ended August 31, 2021 and reflects the amortization of new expenditures exceeding the amortization of assets that became fully amortized during the period.

Amortization of financing costs and Interest expense

(millions of Canadian dollars)	2021	2020	Change %
Amortization of financing costs – long-term debt	**2**	3	(33.3)
Interest expense	**231**	274	(15.7)

Interest expense for the year ended August 31, 2021 decreased over the comparable periods and primarily reflects the impact of a $35 million reduction of tax related interest expense resulting from a revision of liabilities for uncertain tax positions that became statute barred in the year as well as lower average outstanding debt balances in the period and the decrease in the weighted average interest rate.

Other income and expenses

(millions of Canadian dollars)	2021	2020	Increase / (decrease)
Gain on disposal of fixed assets and intangibles	**3**	(3)	6
Costs associated with Rogers Transaction	**(23)**	–	(23)
Debt Redemption Penalty	**–**	(17)	17
Gain on fair value adjustment of private investment	**27**	–	27
Other	**(9)**	4	(13)
	(2)	(16)	14

Other generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities as well as the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership. In the second quarter of fiscal 2021, the Company recorded a $27 million fair value gain on private investments while in the third and fourth quarters of fiscal 2021, the Company recorded $18 million and $5 million, respectively, in Transaction-related advisory, legal, financial, and other professional costs.

Income taxes

(millions of Canadian dollars)	2021	2020	Increase / (decrease)
Current income tax expense	**30**	120	(90)
Deferred income tax expense	**16**	59	(43)
	46	179	(133)

Income taxes are lower in fiscal 2021 compared to fiscal 2020 mainly due to a $125 million revision to liabilities for uncertain tax positions that became statute barred in 2021 as well as the recognition of a $78 million tax benefit associated with previously unrecognized tax losses in the fourth quarter of 2021 driven by management's expectations that sufficient future taxable profit will be available to fully utilize such losses, offset by the effect of higher pre-tax income.

Earnings per share

(millions of Canadian dollars except per share amounts)	2021	2020	Change %
Net income	**986**	688	43.3
Weighted average number of participating shares outstanding during period (millions)	**504**	515	
Earnings per share			
Basic and diluted	**1.94**	1.32	

Net income

Net income was $986 million in 2021 compared to $688 million in 2020. The year-over-year changes are summarized in the table below.

(millions of Canadian dollars)	
Increased adjusted EBITDA [(1)]	**109**
Increased amortization	**(1)**
Decreased interest expense	**43**
Change in other net costs and revenue [(2)]	**14**
Decreased income taxes	**133**
	298

(1) See "Key Performance Drivers" for more information about this non-GAAP financial measure.

(2) Net other costs and revenue include gains and losses on disposals of fixed assets and intangibles, accretion of long-term liabilities and provisions, debt retirement costs, transaction related costs, gains and losses on private investments, realized and unrealized foreign exchange differences and other losses as detailed in the Consolidated Statements of Income.

Net other costs and revenues had a $14 million favourable impact on net income primarily due to the impact of a $27 million fair value gain on private investments recorded in the current year and a $17 million debt redemption penalty in fiscal 2020, partially offset by $23 million in Transaction-related advisory, legal, financial, and other professional costs and higher foreign exchange losses in fiscal 2021.

SEGMENTED OPERATIONS REVIEW

WIRELINE

(millions of Canadian dollars)	2021	2020	Change %
Consumer	**3,665**	3,683	(0.5)
Business	**584**	567	3.0
Wireline revenue	**4,249**	4,250	—
Adjusted EBITDA(1)	**2,107**	2,054	2.6
Adjusted EBITDA margin(1)	**49.6%**	48.3%	2.7

(1) See "Key Performance Drivers" for more information about this non-GAAP financial measure and non-GAAP ratio.

Wireline RGUs decreased by 248,785 in the current fiscal year, compared to net losses of 234,492 RGUs in fiscal 2020. Total Business RGU gains of 10,151 were more than fully offset by total Consumer RGU losses of 258,936 in the year which included net losses in cable Video of 107,641, Phone of 77,030, satellite Video of 60,149, and Internet of 14,116.

Wireline division revenues of $4,249 million in fiscal 2021 were essentially flat compared to $4,250 million in the prior year. Business division revenues increased $17 million, or 3.0%, mainly due to Internet revenue growth and continued demand for the Smart suite of products, despite the challenging circumstances due to impacts of COVID-19 and considering the majority of Shaw Business revenue comes from the small to medium sized business sector. These increases were fully offset by the Consumer division as revenues decreased $18 million, or 0.5%, compared to fiscal 2020 as the incremental $20 million in revenue related to the third quarter release of a provision following the CRTC decision on the final aggregated TPIA rates that date back to August 2019 and growth in Internet revenue were fully offset by declines in Video, Satellite, and Phone subscribers and revenue.

Adjusted EBITDA of $2,107 million increased 2.6% over the comparable period mainly due to decreased operating costs, partially offset by a decrease in Consumer revenue and higher equity-based compensation costs of approximately $24 million due to the significant increase in Shaw's share price in the year in connection with the Transaction announcement on March 15, 2021. The decrease in operating costs includes a $13 million decrease in bad debt expense as COVID-19 did not have a significant impact on our customers' ability to pay their bills as expected, combined with an increased focus on collecting aged receivables.

WIRELESS

(millions of Canadian dollars)	2021	2020	Change %
Service	**891**	815	9.3
Equipment and other	**381**	351	8.5
Wireless revenue	**1,272**	1,166	9.1
Adjusted EBITDA(1)	**393**	337	16.6
Adjusted EBITDA margin(1)	**30.9%**	28.9%	6.9

(1) See "Key Performance Drivers" for more information about this non-GAAP financial measure and non-GAAP ratio.

In Wireless, the Company gained 294,857 net subscribers in the year, consisting of 257,114 postpaid and 37,743 prepaid additions, bringing its total customer base to over 2.1 million.

Wireless revenue for the year of $1,272 million increased $106 million, or 9.1%, over the prior year. The increase in revenue reflects higher service revenues of $76 million due to an increased subscriber base, including significant Shaw Mobile additions, along with an increase in equipment revenues of $30 million. The increase in service revenue was driven by RGU growth of 17.3%, while ARPU of $37.35 in fiscal 2021 decreased from $38.95 in the prior year, reflecting Shaw Mobile customer growth.

Adjusted EBITDA for the year of $393 million increased $56 million, or 16.6%, over the prior year primarily due to an increase in service revenues, improved equipment margins, and a $15 million decrease in bad debt expense as COVID-19 did not have a significant impact on our customers' ability to pay their bills as expected, combined with an increased focus on collecting aged receivables. This is partially offset by additional costs in connection with the expansion of the Shaw Mobile retail footprint in the current year.

Capital Expenditures and Equipment Costs

(millions of Canadian dollars)	Year ended August 31, 2021	2020	Change %
Wireline			
New housing development	**109**	120	(9.2)
Success based	**170**	243	(30.0)
Upgrades and enhancements	**351**	331	6.0
Replacement	**34**	26	30.8
Buildings and other	**59**	95	(37.9)
Total as per Note 26 to the audited annual consolidated financial statements	**723**	815	(11.3)
Wireless			
Total as per Note 26 to the audited annual consolidated financial statements	**280**	296	(5.4)
Consolidated total as per Note 26 to the audited annual consolidated financial statements	**1,003**	1,111	(9.7)

Capital investment was $1,003 million in fiscal 2021 compared to $1,111 million in fiscal 2020. The decrease was driven primarily by a decrease in the Wireline division mainly due to lower success-based costs while the Wireless division decreased as a result of lower planned capital expenditures in the year.

Wireline

Success-based capital for fiscal 2021 of $170 million was $73 million lower than fiscal 2020. The current year decrease in success-based capital was due primarily to lower equipment purchases in the year.

Capital spend on the combined upgrades and enhancement, and replacement categories was $385 million for the year, a $28 million increase over fiscal 2020 driven primarily by higher planned Wireline spend on network infrastructure.

Capital spend on new housing development of $109 million in the year was $11 million lower than the prior fiscal year, driven by a decrease in residential and commercial customer network growth and acquisition.

Investment in buildings and other of $59 million in fiscal 2021 decreased $36 million over fiscal 2020 primarily related to higher corporate related costs in the comparable period as well as the impact of proceeds received from the disposal of corporate assets in the current period.

Wireless

Capital investment of $280 million in fiscal 2021 decreased $16 million compared to fiscal 2020, primarily due to lower network and IT related investment partially offset by increased spending related to retail and office space in the current year. In fiscal 2021, the Company continued to focus on investment in the wireless network and infrastructure, specifically the continued deployment of 700 MHz spectrum, 600 MHz spectrum, LTE and small cells as well as enhancements to the back-office systems, retail locations and other corporate initiatives.

FINANCIAL POSITION

Total assets were $15.8 billion at August 31, 2021, compared to $16.2 billion at August 31, 2020. The following is a discussion of significant changes in the Consolidated Statements of Financial Position since August 31, 2020.

Current assets decreased $266 million primarily due to a decrease in cash of $408 million and a decrease in the current portion of contract assets of $35 million, partially offset by increased accounts receivable of $33 million, inventories of $3 million, other current assets of $54 million, and income taxes recoverable of $87 million. Cash decreased primarily due to the payment of $605 million in dividends, $300 million for preferred share redemptions, $336 million for share repurchases, as described below, and cash outlays for investing activities, partially offset by funds flow from operations. Refer to "Liquidity and Capital Resources" for more information.

Accounts receivable increased $33 million mainly due to timing, as the Company continues to migrate customers from two-month advance billing to one-month advance billing.

The current portion of contract assets decreased $35 million over the period due to a $19 million decrease in deferred Wireline costs as a result of lower onboarding promotional activity for new subscribers over the past year and a $16 million decrease due to a decrease in Wireless subscribers participating in the Company's discretionary wireless handset discount program over the past year. Under IFRS 15, up-front promotional offers, such as onboarding or switch credits, offered to new two-year value-plan customers are recorded as a contract asset and amortized over the life of the contract against future service revenues while the portion of the Wireless discount relating to the handset is applied against equipment revenue at the point in time that the handset is transferred to the customer while the portion relating to service revenue is recorded as a contract asset and amortized over the life of the contract against future service revenues.

Property, plant and equipment decreased $123 million as the amortization of capital and right-of-use assets exceeded the capital investments and additions to right-of-use assets in the year.

Current liabilities decreased $128 million during the period primarily due to an $11 million decrease in accounts payable, a decrease in income taxes payable of $57 million, and a decrease of $55 million in current provisions.

Accounts payable and accrued liabilities decreased due to the timing of payments and fluctuations in various payables including capital expenditures and tax remittances. The decrease in current provisions was mainly due to a $35 million reduction to the interest expense provision, a $20 million provision release related to the CRTC decision on final aggregated TPIA rates and the payment of outstanding restructuring costs in the period.

Lease liabilities decreased $25 million mainly due to principal repayments of $110 million, partially offset by $85 million in net new lease liabilities in the period.

Shareholders' equity decreased $190 million mainly due to the $300 million redemption of the Preferred Shares on June 30, 2021. Retained earnings increased as the current period income of $986 million was greater than the dividends of $599 million and the impact of shares repurchased under the NCIB program of $207 million. Share capital decreased $403 million due to the impact of 14,783,974 Class B Shares repurchased under the terms of the Company's NCIB program and the redemption of the preferred shares as noted above, which were partially offset by the issuance of 688,403 Class B Shares under the Company's stock option and RSU plans. Accumulated other comprehensive loss decreased $40 million due to the remeasurements recorded on employee benefit plans in the period.

As at October 15, 2021, share capital is as reported at August 31, 2021 with the exception of the issuance of a total 52,393 Class B Shares upon exercise of options under the Company's stock option plan.

CONSOLIDATED CASH FLOW ANALYSIS

Operating activities

(millions of Canadian dollars)	2021	2020	Change %
Funds flow from operations	**2,249**	1,989	13.1
Net change in non-cash working capital balances related to operations	**(326)**	(69)	>100.0
	1,923	1,920	0.2

Funds flow from operations in fiscal 2021 decreased over the comparable period primarily due to a large decrease in the net change in non-cash balances related to operations partially offset by an increase in the funds flow from operations. The net change in non-cash balances related to operations fluctuated over the comparative period due to changes in accounts receivable, inventory and other current asset balances, and the timing of payments of current income taxes payable and accounts payable and accrued liabilities.

Investing activities

(millions of Canadian dollars)	2021	2020	Decrease
Cash flow used in investing activities	**(997)**	(1,154)	157

In fiscal 2021, cash used in investing activities decreased over the comparable period primarily due to a decrease in additions to property, plant and equipment of $112 million, a decrease in additional to intangibles of $12 million and a decrease to additions to investment and other assets of $4 million, partially offset by an increase in proceeds on disposal of property, plant and equipment of $19 million received in the current period.

Financing activities

The changes in financing activities during 2021 and 2020 were as follows:

(millions of Canadian dollars)	2021	2020
Increase in short-term borrowings	**–**	160
Issuance of long-term debt	**–**	1,300
Repayment of long-term debt	**(1)**	(2,068)
Debt arrangement costs	**–**	(14)
Payment of lease liabilities	**(110)**	(112)
Issuance of Class B Shares	**18**	9
Purchase of Class B Shares	**(336)**	(140)
Dividends paid on Class A Shares and Class B Shares	**(597)**	(573)
Dividends paid on Preferred Shares	**(8)**	(9)
Payment of distributions to non-controlling interests	**–**	(2)
Redemption of Preferred Shares	**(300)**	–
	(1,334)	(1,449)

LIQUIDITY AND CAPITAL RESOURCES

In fiscal 2021, the Company generated $961 million of free cash flow. Shaw used its free cash flow along with cash of $408 million and proceeds from the issuance of Class B Shares of $18 million to pay common share dividends of $597 million, repurchase $336 million in Class B Shares under the Company's NCIB program, redeem $300 million in preferred shares, pay $25 million in restructuring costs and $23 million in Transaction related costs, and fund the net working capital change.

Debt structure and financial policy

Shaw structures its borrowings generally on an unsecured and standalone basis. While certain non-wholly owned subsidiaries are subject to contractual restrictions which may prevent the transfer of funds to Shaw, there are no similar restrictions with respect to wholly-owned subsidiaries of the Company.

The Company has an accounts receivable securitization program with a Canadian financial institution which allows it to sell certain trade receivables into the program. As at August 31, 2021, the proceeds of the sales were committed up to a maximum of $200 million (with $200 million drawn under the program as at August 31, 2021). The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables remain recognized on the Company's Consolidated Statements of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of our other assets.

As at August 31, 2021, the net debt leverage ratio for the Company was 2.3x. The terms of the Arrangement Agreement require Shaw to obtain Rogers' consent prior to incurring certain types of indebtedness.

The Company calculates net debt leverage ratio as follows[1]:

(millions of Canadian dollars)	2021	2020
Short-term borrowings	**200**	200
Current portion of long-term debt	**1**	1
Current Portion of Lease Liabilities	**110**	113
Long-term debt	**4,549**	4,547
Lease Liabilities	**1,135**	1,157
50% of outstanding preferred shares	**–**	147
Cash	**(355)**	(763)
(A) Net debt [2]	**5,640**	5,402
(B) Adjusted EBITDA [2]	**2,500**	2,391
(A/B) Net debt leverage ratio [3]	**2.3x**	2.3x

(1) The following contains a breakdown of the components in the calculation of net debt leverage ratio, which is a non-GAAP ratio.

(2) See "Key Performance Drivers" for more information about these non-GAAP financial measures.

(3) Net debt leverage ratio is a non-GAAP ratio and should not be considered as a substitute or alternative for a GAAP measure and may not be a reliable way to compare us to other companies. See "Key Performance Drivers" for further information about this ratio.

On November 2, 2020, the Company announced that it had received approval from the TSX to establish an NCIB program. The program commenced on November 5, 2020 and will remain in effect until November 4, 2021. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020.

During the year ended August 31, 2021, the Company purchased 14,783,974 Class B Shares for cancellation for a total cost of approximately $336 million under the NCIB program. In connection with the announcement of the Transaction on March 15, 2021, the Company suspended share buybacks under its NCIB program.

Shaw's credit facilities are subject to customary covenants which include maintaining minimum or maximum financial ratios.

	Covenant as at August 31, 2021	Covenant Limit
Shaw Credit Facilities		
Total Debt to Operating Cash Flow[1] Ratio	1.92:1	< 5.00:1
Operating Cash Flow[1] to Fixed Charges[2] Ratio	10.23:1	> 2.00:1

(1) Operating Cash Flow, for the purposes of the covenants, is calculated as net earnings before interest expense, depreciation, amortization, restructuring, and current and deferred income taxes, excluding profit or loss from investments accounted for on an equity basis, less payments made with regards to lease liabilities for the most recently completed fiscal quarter multiplied by four, plus cash dividends and other cash distributions received in the most recently completed four fiscal quarters from investments accounted for on an equity basis.

(2) Fixed Charges are defined as the aggregate interest expense, excluding the interest related to lease liabilities, for the most recently completed fiscal quarter multiplied by four.

As at August 31, 2021, Shaw is in compliance with these covenants and based on current business plans, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants over the life of the borrowings which currently mature in December of 2024.

On June 30, 2021, the Company redeemed all of its issued and outstanding Preferred Shares in accordance with their terms (as set out in the Company's articles) at a price equal to $25.00 per Preferred Share, less any tax required to be deducted or withheld.

On the Redemption Date, there were 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. Accordingly, the aggregate Redemption Price paid by Shaw on the Redemption Date to redeem the Preferred Shares was $300 million.

As at August 31, 2021, the Company had $355 million of cash on hand and its $1.5 billion bank credit facility was fully undrawn.

Preferred Share Dividends

On June 30, 2016, 1,987,607 of the Company's Series A Shares were converted into an equal number of Series B Shares in accordance with the notice of conversion right issued on May 31, 2016. As a result of the conversion, the Company had 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding on June 30, 2016. The Company redeemed all of its issued and outstanding Series A Shares and Series B Shares on June 30, 2021.

Prior to the redemption of the Preferred Shares, the annual fixed dividend rate for the Series A Shares, payable quarterly, was reset to 2.791% for the five-year period from and including June 30, 2016 to but excluding June 30, 2021. The floating quarterly dividend rates for the Series B Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%
December 31, 2019 to March 30, 2020	3.652%
March 31, 2020 to June 29, 2020	3.638%
June 30, 2020 to September 29, 2020	2.255%
September 30, 2020 to December 30, 2020	2.149%
December 31, 2020 to March 30, 2021	2.109%
March 31, 2021 to June 29, 2021	2.073%

On April 14, 2021, the Company's Board of Directors declared a dividend of $0.17444 per Series A Share and $0.12956 per Series B Share, each payable on June 30, 2021 to holders of record on June 15, 2021. These were the final dividends on the Preferred Shares, which were paid separately from the aggregate Redemption Price and in the usual manner. Following payment of the June 30, 2021 dividends, there were no accrued and unpaid dividends on the Preferred Shares.

Based on the aforementioned financing activities, available credit facilities and forecasted free cash flow, the Company expects to have sufficient liquidity to fund operations, obligations and working capital requirements, including maturing debt, during the upcoming year. The terms of the Arrangement Agreement require that the Company maintain sufficient liquidity to pay an $800 million termination fee payable by Shaw in certain circumstances.

Off-balance sheet arrangement and guarantees

Guarantees

Generally, it is not the Company's policy to issue guarantees to non-controlled affiliates or third parties; however, it has entered into certain agreements as more fully described in Note 27 to the Consolidated Financial Statements. As disclosed therein, Shaw believes it is remote that these agreements would require any cash payment.

Contractual obligations

The amounts of estimated future payments under the Company's contractual obligations at August 31, 2021 are detailed in the following table.

	Payments due by period				
(millions of Canadian dollars)	**Total**	**Within 1 year**	**2 – 3 years**	**4 – 5 years**	**More than 5 years**
Short-term borrowings	200	200	—	—	—
Long-term debt[1]	7,330	219	1,409	395	5,307
Lease liabilities	1,596	151	291	260	894
Purchase obligations[2]	1,002	420	297	174	111
Property, plant and equipment	166	157	9	—	—
	10,294	1,147	2,006	829	6,312

(1) Includes principal repayments and interest payments.
(2) Includes contractual obligations under service, product, and wireless device contracts, program related agreements and exclusive rights to use intellectual property in Canada.

Share Capital and Listings

The Company is authorized to issue a limited number of Class A Shares; an unlimited number of Class B Shares; an unlimited number of Class 1 Preferred Shares issuable in series and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated the Series A Shares and 12,000,000 were designated the Series B Shares. The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of such shares (i) currently issued and outstanding; and (ii) that may be outstanding after any conversion of Class A Shares into Class B Shares.

As at October 15, 2021, there are 22,372,064 Class A Shares and 476,589,655 Class B Shares issued and outstanding. There were also 7,440,247 options to purchase Class B Shares and 36,428 RSUs that will settle in Class B Shares issued from treasury outstanding. Shaw is traded on the Toronto and New York stock exchanges and is included in the S&P/TSX 60 Index (Symbol: TSX – SJR.B, NYSE – SJR and TSXV – SJR.A). For more information, please visit www.shaw.ca.

The following table sets forth, for each month during the fiscal year ending August 31, 2021, the monthly price range and volume traded for the Class A Shares on the TSX Venture Exchange (TSXV) and for the Class B Shares, Series A Shares and Series B Shares on the TSX.

	Class A Shares(1) TSX Venture-SJR.A			Class B Shares(1) TSX-SJR.B			Series A Shares(1)(2) TSX-SJR.PR.A			Series B Shares(1)(2) TSX-SJR.PR.B		
	High	Low	Volume	High	Low	Volume	High	Low	Volume	High	Low	Volume
Sep 2020	26.00	24.12	4,236	25.30	23.70	23,453,289	12.59	12.03	58,939	12.00	11.49	18,700
Oct 2020	25.29	22.10	8,713	24.68	21.50	19,991,352	12.95	11.99	69,982	12.79	11.55	20,634
Nov 2020	25.95	23.50	17,139	23.63	21.71	33,008,086	12.95	12.17	58,521	12.71	11.23	27,922
Dec 2020	27.00	24.00	31,424	23.73	22.10	37,123,865	13.75	12.87	187,979	13.73	12.57	52,778
Jan 2021	29.94	25.50	26,595	23.12	21.85	33,071,629	13.95	13.08	83,996	13.65	13.00	28,692
Feb 2021	30.50	27.13	23,292	22.79	21.93	31,050,402	15.31	13.74	187,719	14.96	13.80	21,621
Mar 2021	42.75	27.88	104,163	35.08	22.18	89,485,061	21.51	14.71	3,067,018	21.30	14.47	806,598
Apr 2021	38.24	34.04	35,868	35.82	32.68	38,526,245	23.50	20.62	2,306,734	23.40	20.45	274,368
May 2021	37.20	35.60	7,110	36.78	35.27	27,999,499	25.18	23.27	2,223,082	25.13	23.13	727,662
Jun 2021	37.67	35.65	12,807	36.50	35.34	26,134,482	25.18	24.97	507,504	25.15	24.97	279,105
Jul 2021	37.25	36.00	4,783	36.71	35.44	18,793,416	–	–	–	–	–	–
Aug 2021	38.19	36.30	5,017	37.17	35.80	17,559,165	–	–	–	–	–	–

(1) Trading price and volume data is obtained from the TMX group.
(2) All issued and outstanding Series A Shares and Series B Shares were redeemed on June 30, 2021.

Share Splits

There have been four splits of the Company's Class A and Class B Shares: July 30, 2007 (2 for 1); February 7, 2000 (2 for 1); May 18, 1994 (2 for 1); and September 23, 1987 (3 for 1). In addition, as a result of the Arrangement referred to in the Management Information Circular dated July 22, 1999, a Shareholder's Adjusted Cost Base was reduced for tax purposes.

ADDITIONAL INFORMATION

Additional information relating to Shaw, including the Company's 2021 Annual Information Form, can be found on SEDAR at www.sedar.com.

COMPLIANCE WITH NYSE CORPORATE GOVERNANCE LISTING STANDARDS

Disclosure of the Company's corporate governance practices which differ from the New York Stock Exchange (NYSE) corporate governance listing standards are posted on Shaw's website, www.shaw.ca (under Investor Relations, Corporate Governance, Compliance with NYSE Corporate Governance Listing Standards).

CERTIFICATION

The Company's Executive Chair & Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have filed certifications regarding Shaw's disclosure controls and procedures and internal control over financial reporting (ICFR).

As at August 31, 2021, the Company's management, together with its Executive Chair & Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer, has evaluated the effectiveness of the design and operation of each of the Company's disclosure controls and procedures and ICFR. Based on these evaluations, the Chief Executive Officer and Executive Vice President, Chief Financial & Corporate Development Officer have concluded that the Company's disclosure controls and procedures and the Company's ICFR are effective.

Other than the items described below, there have been no changes in the Company's ICFR during the fiscal year that have materially affected, or are reasonably likely to materially affect, Shaw's ICFR.

FINANCIALS & NOTES

Contents

Reports

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING AND REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

October 29, 2021

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Shaw Communications Inc. (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with the financial statements.

Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. The internal control system includes an internal audit function and an established business conduct policy that applies to all employees. Management believes that the systems provide reasonable assurance that transactions are properly authorized and recorded, financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee is appointed by the Board and its directors are unrelated and independent. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the financial statements and the external auditors' report. The Audit Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The financial statements have been audited by Ernst & Young LLP, the external auditors, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB")" on behalf of the shareholders. Ernst & Young LLP has full and free access to the Audit Committee.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any of the effectiveness of internal control are subject to the risk that the controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

Management conducted an evaluation of the effectiveness of the system of internal control over financial reporting based on the framework in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's system of internal control over financial reporting was effective as at August 31, 2021.

[Signed]

Brad Shaw
Executive Chair & Chief Executive Officer

[Signed]

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Shaw Communications Inc. (the "Company") as of August 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Report on Internal Control over Financial Reporting

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of August 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission framework (2013) and our report dated October 29, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.

Key Audit Matter	**Valuation of the Wireless cash generating unit's indefinite-life intangibles**
Description of the Matter	As more fully described in Note 9 to the consolidated financial statements, the Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2021 and the recoverable amount of the cash generating units exceeds their carrying value. Management performed an assessment of indicators of impairment as at August 31, 2021. Auditing management's impairment test is complex and judgmental due to the estimation required in determining the recoverable amount of the cash generating units. The recoverable amount was estimated using a discounted cash flow and is sensitive to assumptions such as revenue growth rate, earnings growth rate, earnings before interest, tax and amortization margin, terminal operating discount rate, terminal growth rate and terminal operating income before restructuring costs and amortization multiple.
How We Addressed the Matter in Our Audit	We obtained an understanding of management's process for performing their impairment assessment. We evaluated the design and tested the operating effectiveness of controls over the Company's processes to determine the recoverable amount. For example, we tested controls over the Company's strategic planning process as well as controls over the review of the significant assumptions in estimating the recoverable amount of the cash generating units. To test the estimated recoverable amount of the goodwill and indefinite-life intangible assets, our audit procedures included, among others, assessing the methodology used and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We also involved an EY valuation specialist to assist us. We compared the significant assumptions used by management to historical and current trends. We audited the forecasted revenue by evaluating future subscriber growth, expected customer churn, and average rate per subscriber unit. We assessed the historical accuracy of management's estimates and performed sensitivity analyses on significant assumptions to evaluate changes in the recoverable amount of the cash generating units that would result from changes in the assumptions. We obtained management's assessment of indicators of impairment as at August 31, 2021 and evaluated management's assessment through review of actual results and the updated revenue forecast. We assessed the adequacy of the Company's disclosure in the consolidated financial statements.

Ernst & Young LLP

Chartered Professional Accountants

We have served as the Company's auditor since 1966.

Calgary, Canada
October 29, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Shaw Communications Inc.:

Opinion on Internal Control over Financial Reporting

We have audited Shaw Communications Inc.'s internal control over financial reporting as of August 31, 2021, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "COSO criteria"). In our opinion, Shaw Communications Inc. (the "Company") maintained, in all material respects, effective internal control over financial reporting as of August 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial position as at August 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes and our report dated October 29, 2021 expressed an unqualified opinion thereon.

Basis of Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Ernst + Young LLP

Chartered Professional Accountants
Calgary, Canada

October 29, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(millions of Canadian dollars)	August 31, 2021	August 31, 2020
ASSETS		
Current		
Cash	**355**	763
Accounts receivable (note 3)	**301**	268
Income taxes recoverable	**87**	–
Inventories (note 4)	**63**	60
Other current assets (note 5)	**331**	277
Current portion of contract assets (note 22)	**97**	132
	1,234	1,500
Investments and other assets (notes 6 and 30)	**70**	42
Property, plant and equipment (note 7 and 14)	**6,019**	6,142
Other long-term assets (note 8)	**163**	163
Deferred income tax assets (note 25)	**2**	1
Intangibles (note 9)	**7,996**	7,997
Goodwill (note 9)	**280**	280
Contract assets (note 22)	**28**	40
	15,792	16,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings (note 10)	**200**	200
Accounts payable and accrued liabilities (note 11)	**988**	999
Provisions (note 12)	**46**	101
Income taxes payable	**–**	57
Current portion of contract liabilities (note 22)	**213**	211
Current portion of long-term debt (notes 13 and 30)	**1**	1
Current portion of lease liabilities (note 14)	**110**	113
Current portion of derivatives	**2**	6
	1,560	1,688
Long-term debt (notes 13 and 30)	**4,549**	4,547
Lease liabilities (note 14)	**1,135**	1,157
Other long-term liabilities (notes 15 and 28)	**26**	72
Provisions (note 12)	**77**	80
Deferred credits (note 16)	**389**	406
Contract liabilities (note 22)	**15**	14
Deferred income tax liabilities (note 25)	**1,998**	1,968
	9,749	9,932
Commitments and contingencies (notes 12, 27 and 28)		
Shareholders' equity		
Common and preferred shareholders	**6,043**	6,233
	15,792	16,165

See accompanying notes

On behalf of the Board:

[Signed]
Brad Shaw
Director

[Signed]
Carl Vogel
Director

CONSOLIDATED STATEMENTS OF INCOME

Years ended August 31, (millions of Canadian dollars except per share amounts)	2021 $	2020 $
Revenue (notes 22 and 26)	**5,509**	5,407
Operating, general and administrative expenses (note 23)	**(3,009)**	(3,016)
Restructuring costs (notes 12 and 23)	**(14)**	(14)
Amortization:		
Deferred equipment revenue (note 16)	**11**	16
Deferred equipment costs (note 8)	**(47)**	(65)
Property, plant and equipment, intangibles and other (notes 7, 9, 14 and 16)	**(1,183)**	(1,168)
Operating income	**1,267**	1,160
Amortization of financing costs – long-term debt (note 13)	**(2)**	(3)
Interest expense (notes 13, 14, and 26)	**(231)**	(274)
Other gains (losses) (note 24)	**(2)**	(16)
Income before income taxes	**1,032**	867
Current income tax expense (note 25)	**30**	120
Deferred income tax expense (note 25)	**16**	59
Net income	**986**	688
Net income attributable to:		
Equity shareholders	**986**	688
Earnings per share (note 19)		
Basic and diluted	**1.94**	1.32

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31, (millions of Canadian dollars)	2021 $	2020 $
Net income	**986**	688
Other comprehensive income (loss) (note 21)		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	(4)
Adjustment for hedged items recognized in the period	**5**	(2)
	4	(6)
Items that will not be subsequently reclassified to income:		
Remeasurements on employee benefit plans	**36**	1
	40	(5)
Comprehensive income	**1,026**	683
Comprehensive income attributable to:		
Equity shareholders	**1,026**	683

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Year ended August 31, 2021

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance at September 1, 2020	**4,602**	**27**	**1,703**	**(99)**	**6,233**	**–**	**6,233**
Net income	**–**	**–**	**986**	**–**	**986**	**–**	**986**
Other comprehensive income	**–**	**–**	**–**	**40**	**40**	**–**	**40**
Comprehensive income	**–**	**–**	**986**	**40**	**1,026**	**–**	**1,026**
Dividends	**–**	**–**	**(599)**	**–**	**(599)**	**–**	**(599)**
Shares issued under stock option plan	**19**	**(1)**	**–**	**–**	**18**	**–**	**18**
Shares repurchased (note 17)	**(129)**	**–**	**(207)**	**–**	**(336)**	**–**	**(336)**
Redemption of preferred shares (note 17)	**(293)**	**–**	**(7)**	**–**	**(300)**	**–**	**(300)**
Share-based compensation	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Balance as at August 31, 2021	**4,199**	**27**	**1,876**	**(59)**	**6,043**	**–**	**6,043**

Year ended August 31, 2020

(millions of Canadian dollars)	Attributable to equity shareholders: Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
Balance at September 1, 2019	4,605	26	1,723	(94)	6,260	3	6,263
Net income	–	–	688	–	688	–	688
Other comprehensive loss	–	–	–	(5)	(5)	–	(5)
Comprehensive income (loss)	–	–	688	(5)	683	–	683
Dividends	–	–	(580)	–	(580)	–	(580)
Dividend reinvestment plan	37	–	(37)	–	–	–	–
Distributions declared to non-controlling interest	–	–	–	–	–	(3)	(3)
Shares issued under stock option plan	9	(1)	–	–	8	–	8
Shares repurchased (note 17)	(49)	–	(91)	–	(140)	–	(140)
Share-based compensation	–	2	–	–	2	–	2
Balance as at August 31, 2020	4,602	27	1,703	(99)	6,233	–	6,233

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31, (millions of Canadian dollars)	2021 $	2020 $
OPERATING ACTIVITIES		
Funds flow from operations (note 31)	**2,249**	1,989
Net change in non-cash balances	**(326)**	(69)
	1,923	1,920
INVESTING ACTIVITIES		
Additions to property, plant and equipment (note 26)	**(858)**	(970)
Additions to equipment costs (net) (note 26)	**(21)**	(31)
Additions to other intangibles (note 26)	**(138)**	(150)
Net additions to investments and other assets	**(1)**	(5)
Proceeds on disposal of property, plant and equipment (notes 26 and 31)	**21**	2
	(997)	(1,154)
FINANCING ACTIVITIES		
Increase in short-term borrowings (note 10)	**–**	160
Issuance of long-term debt	**–**	1,300
Repayment of long-term debt	**(1)**	(2,068)
Debt arrangement costs	**–**	(14)
Payment of lease liabilities	**(110)**	(112)
Issue of Class B Shares	**18**	9
Purchase of Class B Shares (note 17)	**(336)**	(140)
Redemption of preferred shares (note 17)	**(300)**	–
Dividends paid on Class A Shares and Class B Shares	**(597)**	(573)
Dividends paid on Series A Preferred Shares	**(8)**	(9)
Payment of distributions to non-controlling interests	**–**	(2)
	(1,334)	(1,449)
(Decrease) increase in cash	**(408)**	(683)
Cash, beginning of year	**763**	1,446
Cash, end of year	**355**	763

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(all amounts in millions of Canadian dollars except share and per share amounts)

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless").

The Company was incorporated under the laws of the Province of Alberta on December 9, 1966 under the name Capital Cable Television Co. Ltd. and was subsequently continued under the Business Corporations Act (Alberta) on March 1, 1984 under the name Shaw Cablesystems Ltd. Its name was changed to Shaw Communications Inc. on May 12, 1993. The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX – SJR.B, NYSE – SJR, and TSXV – SJR.A). The registered office of the Company is located at Suite 900, 630 – 3rd Avenue S.W., Calgary, Alberta, Canada T2P 4L4.

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Non-Voting Participating Shares ("Class B Shares") in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Transaction"). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash.

The Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw's Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen's Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen's Bench of Alberta issued a final order approving the plan of arrangement.

The Transaction remains subject to other customary closing conditions including approvals from certain Canadian regulators, including the Competition Bureau, Innovation, Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC). Subject to the receipt of all required approvals, and the satisfaction of all closing conditions, the Transaction is expected to close in the first half of 2022.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

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

The consolidated financial statements of the Company for the years ended August 31, 2021 and 2020, were approved by the Board of Directors on October 28, 2021 and authorized for issue.

Basis of presentation

These consolidated financial statements have been prepared primarily under the historical cost convention and are expressed in millions of Canadian dollars unless otherwise indicated. Other measurement bases used are outlined below and in the applicable notes. The consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current year's presentation.

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements include the accounts of the Company and those of its subsidiaries, which are entities over which the Company has control. Control exists when the Company has power over an investee, is exposed to or has rights to variable returns from its involvement and has the ability to affect those returns. Intercompany transactions and balances are eliminated on consolidation. The results of operations of subsidiaries acquired during the period are included from their respective dates of acquisition, being the time at which the Company obtains control. Consolidation of a subsidiary ceases when the Company loses control. A change in ownership interests of a subsidiary, without a loss of control, is accounted for as an equity transaction. The Company assesses control through share ownership and voting rights.

Non-controlling interests arise from business combinations in which the Company acquires less than 100% ownership interest. At the time of acquisition, non-controlling interests are measured at either fair value or their proportionate share of the fair value of the acquiree's identifiable assets. The Company determines the measurement basis on a transaction by transaction basis. Subsequent to acquisition, the carrying amount of non-controlling interests is increased or decreased for their share of changes in equity.

(ii) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, and expenses of its interests in joint operations.

The Company's joint operations consist of a 33.33% interest in the Burrard Landing Lot 2 Holdings Partnership (the "Partnership"). The Partnership owns and leases commercial space in Shaw Tower in Vancouver, BC, which is the Company's headquarters for its lower mainland operations. In classifying its 33.33% interest in the Partnership as a joint operation, the Company considered the terms and conditions of the partnership agreement and other facts and circumstances including the primary purpose of Shaw Tower which is to provide lease space to the partners.

Revenue and expenses

The Company has multiple deliverable arrangements comprised of upfront fees (subscriber connection and installation fee revenue, customer premise equipment revenue, handset equipment revenue) and related subscription and service revenue. Upfront fees charged to customers do not constitute separate units of accounting, therefore these revenue streams are assessed as an integrated package.

(i) Revenue

The Company records revenue from contracts with customers in accordance with the following five steps:

(1) identify the contract(s) with a customer;

(2) identify the performance obligations in the contract;

(3) determine the transaction price;

(4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time or at a point in time. For performance obligations satisfied over time, revenue is recognized as the services are provided. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed. Revenue from Cable, Internet, Phone, Direct-to-Home (DTH) and Wireless customers includes subscriber revenue earned as services are provided. Satellite distribution services and telecommunications service revenue is recognized in the period in which the services are rendered to customers. In addition to monthly service plans, the Company also offers multi-year service plans in which the total amount of the contractual service revenue is accounted for on a straight-line basis over the term of the plan. Fees for wireless voice, text and data services on a pay-per-use basis are recognized in the period that the service is provided.

Revenue from data centre customers includes colocation and other services revenue, including managed infrastructure revenue. Colocation revenue is recognized on a straight-line line basis over the term of the customer contract. Other services revenue, including managed infrastructure revenue, is recognized as the services are provided.

Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenue from the direct sale of equipment to wireless subscribers or dealers is recognized when the equipment is delivered and accepted by the subscribers or dealers.

For bundled arrangements (e.g. wireless handsets, voice and data services, internet services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate. The Company offers a discretionary wireless handset discount program, whereby the subscriber earns the applicable discount by maintaining services with the Company, such that the receivable relating to the discount at inception of the transaction is reduced over a period of time. This discount is allocated proportionately between the equipment and service revenues, with the equipment discount recognized when the handset is delivered and the corresponding service discount is classified as a contract asset. The contract asset is reduced on a straight-line basis over the period which the discount is forgiven to a maximum of two years with an offsetting reduction to service revenue. The Company also offers a plan allowing customers to receive a larger up-front handset discount than they would otherwise qualify for if they pay a predetermined incremental charge to their existing service plan on a monthly basis. The charge is billed on a monthly basis but is recognized as revenue when the handset is delivered and accepted by the subscriber. The amount receivable is classified as part of other current or other long-term assets, as applicable, in the consolidated statements of financial position. When wireless equipment and services are bundled with wireline services, revenue is allocated across the Company's segments based on the relative stand-alone selling prices of the goods and services delivered.

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

(ii) Contract assets and liabilities

We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Subscriber connection fees received from Cable, Internet, Phone and Wireless customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over two to three years. The costs of physically connecting a new home are capitalized as part of the distribution system and costs of disconnections are expensed as incurred.

Initial setup fees related to the installation of data centre services and installation revenue received on contracts with commercial business customers are deferred as contract liabilities and recognized as revenue on a straight-line basis over the related service contract, which generally span two to ten years. Direct and incremental costs associated with the installation of services or service contract, in an amount not exceeding the upfront revenue, are deferred as contract assets and recognized as an operating expense on a straight-line basis over the same period.

(iii) Deferred commission cost assets

We defer the incremental cost to obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them as deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Direct and incremental initial selling, administrative and connection costs, including commissions related to subscriber acquisitions are deferred and recognized as an operating expense on a straight-line basis over three years.

(iv) Deferred equipment revenue and deferred equipment costs

Revenue from sales of DTH equipment is deferred and recognized on a straight-line basis over three years commencing when subscriber service is activated. The total cost of the equipment, including installation, represents an inventoriable cost which is deferred and recognized on a straight-line basis over the same period. The DTH equipment is generally sold to customers at cost or a subsidized price in order to expand the Company's customer base.

Recognition of deferred equipment revenue and deferred equipment costs is recorded as deferred equipment revenue amortization and deferred equipment costs amortization, respectively.

(v) Deferred IRU revenue

Prepayments received under indefeasible right to use (IRU) agreements are amortized on a straight-line basis into income over the term of the agreement and included in amortization of property, plant and equipment, intangibles and other in the consolidated statements of income.

Cash

Cash is presented net of outstanding cheques. When the amount of outstanding cheques and the amount drawn under the Company's revolving term facility are greater than the amount of cash, the net amount is presented as bank indebtedness.

Securitization of trade receivables

Sales of trade receivables in securitization transactions are recognized as collateralized short-term borrowings as we do not transfer control and substantially all the risks and rewards of ownership to another entity and thus do not result in our de-recognition of the trade receivables sold.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for the estimated expected credit losses resulting from the inability of its customers to make required payments. In determining the allowance, the Company considers factors such as the number of days the account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances.

Inventories

Inventories include subscriber equipment such as DTH receivers, which are held pending rental or sale at cost or at a subsidized price and wireless handsets, accessories and SIM cards. When subscriber DTH equipment is sold, the equipment revenue and equipment costs are deferred and amortized over three years. When the subscriber equipment is rented, it is transferred to property, plant and equipment and amortized over its useful life. Inventories are determined on a first-in, first-out basis, and are stated at cost due to the eventual capital nature as either an addition to property, plant and equipment or deferred equipment costs.

Inventories of wireless handsets, accessories and SIM cards are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditures incurred in acquiring the inventories and bringing them to their existing condition and location. Net realizable value is the estimated selling price in the ordinary course of business, less selling expenses.

Property, plant and equipment

Property, plant and equipment are recorded at purchase cost. Direct labour and other directly attributable costs incurred to construct new assets, upgrade existing assets and connect new subscribers are capitalized as well as borrowing costs on qualifying assets. In addition, any asset removal and site restoration costs in connection with the retirement of assets are capitalized. Repairs and maintenance expenditures are charged to operating expense as incurred. Amortization is recorded on a straight-line basis over the estimated useful lives of assets as follows:

Asset	Estimated useful life
Cable, Wireless and telecommunications distribution system	3-20 years
Digital cable terminals and modems	3-5 years
Satellite audio, video and data network equipment and DTH receiving equipment	3-15 years
Buildings	15-40 years
Data processing	4-10 years
Other	4-20 years

The Company reviews the estimates of useful lives on a regular basis.

Leases

Leases are typically entered into for network infrastructure and equipment, including transponders, and land and buildings relating to the Company's wireless and wireline networks, office space and retail stores. At inception of a contract, the Company assesses whether the contract contains a lease. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability consist of:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual value guarantee; and
- payments relating to purchase options and renewal option periods that are reasonably certain to be exercised, or periods subject to termination options that are not reasonably certain to be exercised.

The initial lease term included in the measurement of the lease liability consists of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

Lease liabilities are subsequently measured at amortized cost. Lease liabilities are remeasured when there is a lease modification, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The interest expense for lease liabilities is recorded in *Interest expense* in the Consolidated Statements of Income.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in *Operating, general and administrative expenses* in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company presents right-of-use assets in *Property, plant and equipment.*

If the Company obtains ownership of the leased asset by the end of the lease term or the costs of the right-of-use asset reflects the exercise of a purchase option, we depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term. Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements on the related lease liability. The depreciation charge for right-of-use assets is recorded in *Amortization – Property, plant and equipment*.

Other long-term assets

Other long-term assets primarily include (i) equipment costs, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over three to five years, (ii) the non-current portion of wireless handset discounts receivable as described in the revenue and expenses accounting policy, (iii) credit facility arrangement fees amortized on a straight-line basis over the term of the facility, (iv) long-term receivables, (v) network capacity leases, (vi) the non-current portion of prepaid maintenance and support contracts, and (vii) direct costs in connection with initial setup fees and installation of services, as described in the revenue and expenses accounting policy, deferred and amortized on a straight-line basis over two to ten years.

Intangibles

The excess of the cost of acquiring cable, satellite, media, data centre and wireless businesses over the fair value of related net identifiable tangible and intangible assets acquired is allocated to goodwill. Net identifiable intangible assets acquired consist of amounts allocated to broadcast rights and licences, wireless spectrum licences, trademarks, brands, program rights, customer relationships and software assets. Broadcast rights and licences, wireless spectrum licences, trademarks and brands represent identifiable assets with indefinite useful lives.

Customer relationships represent the value of customer contracts and relationships acquired in a business combination and are amortized on a straight-line basis over their estimated useful lives ranging from 4 – 15 years.

Software that is not an integral part of the related hardware is classified as an intangible asset. Internally developed software assets are recorded at historical cost and include direct material and labour costs as well as borrowing costs on qualifying assets. Software assets are amortized on a straight-line basis over estimated useful lives ranging from 3 – 10 years. The Company reviews the estimates of lives and useful lives on a regular basis.

Borrowing costs

The Company capitalizes borrowing costs on qualifying assets that take more than one year to construct or develop using the Company's weighted average cost of borrowing which approximated 5% (2020 – 5%).

Impairment

(i) Goodwill and indefinite-life intangibles

The Company tests goodwill and indefinite-life intangibles for impairment annually (as at February 1) and when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of each cash-generating unit (CGU) is determined based on the higher of the CGU's fair value less costs to sell (FVLCS) and its value in use (VIU). A CGU is the smallest identifiable group of assets that generate cash flows that are independent of the cash inflows from other assets or groups of assets. The Company's cash generating units are Cable, Satellite, and Wireless. Where the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

(ii) Non-financial assets with finite useful lives

For non-financial assets, such as property, plant and equipment and finite-life intangible assets, an assessment is made at each reporting date as to whether there is an indication that an asset may be impaired. If any indication exists, the recoverable amount of the asset is determined based on the higher of FVLCS and VIU. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. Previously recognized impairment losses are reviewed for possible reversal at each reporting date and all or a portion of the impairment is reversed if the asset's value has increased.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The timing or amount of the outflow may still be uncertain. Provisions are measured using the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account risks and uncertainties associated with the obligation. Provisions are discounted where the time value of money is considered material.

(i) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred, on a discounted basis, with a corresponding increase to the carrying amount of property and equipment, primarily in respect of wireless and transmitter sites. This cost is amortized on the same basis as the related asset. The liability is subsequently increased for the passage of time and the accretion is recorded in the income statement as accretion of long-term liabilities and provisions. The discount rates applied are subsequently adjusted to current rates as required at the end of reporting periods. Revisions due to the estimated timing of cash flows or the amount required to settle the obligation may result in an increase or decrease in the liability. Actual costs incurred upon settlement of the obligation are charged against the liability to the extent recorded.

(ii) Restructuring provisions

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

(iii) Other provisions

Provisions for disputes, legal claims and contingencies are recognized when an outflow to settle the matter is probable. The Company establishes provisions after taking into consideration legal assessments (if applicable), expected availability of insurance or other recourse and other available information.

Deferred credits

Deferred credits primarily include: (i) prepayments received under IRU agreements amortized on a straight-line basis into income over the term of the agreement, (ii) equipment revenue, as described in the revenue and expenses accounting policy, deferred and amortized over three to five years, and (iii) a deposit on a future fibre sale.

Income taxes

The Company accounts for income taxes using the liability method, whereby deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset and they relate to income taxes levied by the same authority in the same taxable entity. Income tax expense for the period is the tax payable for the period using tax rates substantively enacted at the reporting date, any adjustments to taxes payable in respect of previous years and any change during the period in deferred income tax assets and liabilities, except to the extent that they relate to a business combination or divestment, items recognized directly in equity or in other comprehensive income. The Company records interest and penalties related to income taxes in interest expense.

Tax credits and government grants

The Company receives tax credits primarily related to its research and development activities. Government financial assistance is recognized when management has reasonable assurance that the conditions of the government programs are met and accounted for as a reduction of related costs, whether capitalized and amortized or expensed in the period the costs are incurred.

Foreign currency translation

Transactions originating in foreign currencies are translated into Canadian dollars at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at the period-end rate of exchange and non-monetary items are translated at historic exchange rates. The net foreign exchange gain (loss) recognized on the translation and settlement of current monetary assets and liabilities was $12 (2020 – $5) and is included in other gains (losses).

Financial instruments other than derivatives

Financial instruments have been classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). Cash and financial instruments have been classified as FVTPL and are recorded at fair value with any change in fair value immediately recognized in income (loss). Investments in equity securities are classified and measured at FVTPL. Loans and receivables and financial liabilities are carried at amortized cost. None of the Company's financial liabilities are classified as FVTPL.

Finance costs and discounts associated with the issuance of debt securities are netted against the related debt instrument and amortized to income using the effective interest rate method. Accordingly, long-term debt accretes over time to the principal amount that will be owing at maturity.

Derivative financial instruments and hedging activities

The Company uses derivative financial instruments, such as foreign currency forward purchase contracts, to manage risks from fluctuations in foreign exchange rates. All derivative financial instruments are recorded at fair value in the consolidated statements of financial position. The Company may elect to apply hedge accounting to certain derivative instruments. With hedge accounting, changes in the fair value of derivative financial instruments designated as cash flow hedges are recorded in other comprehensive income (loss) until the variability of cash flows relating to the hedged asset or liability is recognized in income (loss). When an anticipated transaction is subsequently recorded as a non-financial asset, the amounts recognized in other comprehensive income (loss) are reclassified to the initial carrying amount of the related asset. Where hedge accounting is not permissible or derivatives are not designated in a hedging relationship, they are classified as held-for-trading and the changes in fair value are immediately recognized in income (loss).

Instruments that have been entered into by the Company to hedge exposure to foreign currency risk are reviewed on a regular basis to ensure the hedges are still effective and that hedge accounting continues to be appropriate.

Fair value measurements

Fair value estimates are made at a specific point in time, based on relevant market information and information about the underlying asset or liability. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions.

The fair value hierarchy consists of the following three levels:

Level 1 Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs for the asset or liability are based on observable market data, either directly or indirectly, other than quoted prices.

Level 3 Inputs for the asset or liability are not based on observable market data.

The Company determines whether transfers have occurred between levels in the fair value hierarchy by assessing the impact of events and changes in circumstances that could result in a transfer at the end of each reporting period.

Employee benefits

The Company accrues its obligations under its employee benefit plans, net of plan assets. The cost of pensions and other retirement benefits earned by certain employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. Past service costs from plan initiation and amendments are recognized immediately in the income statement. Remeasurements include actuarial gains or losses and the return on plan assets (excluding interest income). Actuarial gains and losses occur because assumptions about benefit plans relate to a long time frame and differ from actual experiences. These assumptions are revised based on actual experience of the plans such as changes in discount rates, expected retirement ages and projected salary increases. Remeasurements are recognized in other comprehensive income (loss) on an annual basis, at a minimum, and on an interim basis when there are significant changes in assumptions.

August 31 is the measurement date for the Company's employee benefit plans. The last actuarial valuations for funding purposes for the various plans were performed effective August 31, 2021 and the next actuarial valuations for funding purposes are effective August 31, 2022.

Share-based compensation

The Company has a stock option plan for directors, officers, employees, and consultants to the Company. The exercise price of options to purchase Class B Shares is determined by the Board, or a committee thereof, at a price not less than the closing price of the Class B Shares on the TSX on the trading day immediately preceding the date on which the options are granted. Any consideration paid on the exercise of stock options, together with any contributed surplus recorded at the date the options vested, is credited to share capital. The Company calculates the fair value of share-based compensation awarded to employees using the Black-Scholes option pricing model. The fair value of options are expensed and credited to contributed surplus over the vesting period of the options using the graded vesting method.

The Company has a restricted share unit (RSU) and performance share unit (PSU) plan which provides that RSUs may be granted to officers, employees and directors of the Company, and PSUs may be granted to officers and employees of the Company. RSUs vest on either the first, second and third anniversary of the grant date or 100% on the third anniversary of the grant date and compensation is recognized on a straight-line basis over the three-year vesting period. PSUs vest 100% on the third anniversary of the grant date. RSUs and PSUs will be settled in either cash or Class B Shares as determined by the Human Resources and Compensation Committee at the time of the grant and the obligation for RSUs and PSUs is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding RSUs and PSUs. For PSUs, the performance criteria is set by the by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payout is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

The Company has a deferred share unit (DSU) plan for its Board of Directors. Compensation cost is recognized immediately as DSUs vest when granted. DSUs will be settled in cash and the obligation is measured at the end of each period at fair value using the Black-Scholes option pricing model and the number of outstanding DSUs.

Directors may elect to receive their compensation in cash, RSUs, DSUs, or a combination thereof. Any director who has not met their share ownership guidelines is generally required to elect to receive at least 50% of their annual compensation in DSUs and/or RSUs.

The Company has an employee share purchase plan (the “ESPP”) under which eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the participant’s contributions, increasing to 33% once an employee reaches 10 years of continuous service, and records such amounts as compensation expense.

Earnings per share

Basic earnings per share is based on net income attributable to equity shareholders adjusted for dividends on preferred shares and is calculated using the weighted average number of Class A Shares and Class B Shares outstanding during the period. Diluted earnings per share is calculated by considering the effect of all potentially dilutive instruments. In calculating diluted earnings per share, any proceeds from the exercise of stock options and other dilutive instruments are assumed to be used to purchase Class B Shares at the average market price during the period.

Guarantees

The Company discloses information about certain types of guarantees that it has provided, including certain types of indemnities, without regard to whether it will have to make any payments under the guarantees.

Estimation uncertainty and critical judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and significant changes in assumptions could cause an impairment in assets. The following require the most difficult, complex or subjective judgments which result from the need to make estimates about the effects of matters that are inherently uncertain.

Estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that could impact the carrying amount of assets and liabilities and results of operations in future periods.

(i) Allowance for doubtful accounts

The Company is required to make an estimate of expected credit losses on its receivables. The estimated allowance required is a matter of judgment and the actual loss eventually sustained may be more or less than the estimate, depending on events which have yet to occur and which cannot be foretold, such as future business, personal and economic conditions.

(ii) Contractual service revenue

The Company is required to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireline and wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the deferral criteria for the costs incurred to obtain or fulfill a contract requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

(iii) Property, plant and equipment

The Company is required to estimate the expected useful lives of its property, plant and equipment. These estimates of useful lives involve significant judgment. In determining these estimates, the Company takes into account industry trends and company-specific factors, including changing technologies and expectations for the in-service period of these assets. Management's judgment is also required in determination of the amortization method, the residual value of assets and the capitalization of labour and overhead.

(iv) Leases

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining whether a contract contains a lease, determining the contract term, including whether or not to exercise renewal or termination options, and determining the interest rate used for discounting future cash flows.

(v) Business combinations – purchase price allocation

Purchase price allocations involve uncertainty because management is required to make assumptions and judgments to estimate the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Fair value estimates are based on quoted market prices and widely accepted valuation techniques, including discounted cash flow (DCF) analysis. Such estimates include assumptions about inputs to the valuation techniques, industry economic factors and business strategies.

(vi) Impairment

The Company estimates the recoverable amount of its CGUs using a FVLCS calculation based on a DCF analysis or market approach or a VIU calculation based on a DCF analysis. Where a DCF analysis is used, significant judgments are inherent in this analysis including estimating the amount and timing of the cash flows attributable to the broadcast rights and licences, the selection of an appropriate discount rate, and the identification of appropriate terminal growth rate assumptions. In this analysis, the Company estimates the discrete future cash flows associated with the intangible asset for five years and determines a terminal value. The future cash flows are based on the Company's estimates of future operating results, economic conditions and the competitive environment. The terminal value is estimated using both a perpetuity growth assumption and a multiple of operating income before restructuring costs and amortization. The discount rates used in the analysis are based on the Company's weighted average cost of capital and an assessment of the risk inherent in the projected cash flows. In analyzing the FVLCS determined by a DCF analysis, the Company also considers a market approach determining a recoverable amount for each unit and total entity value determined using a market capitalization approach. Recent market transactions are taken into account, when available. The key assumptions used to determine the recoverable amounts, including a sensitivity analysis, are included in Note 9. A DCF analysis uses significant unobservable inputs and is therefore considered a level 3 fair value measurement.

(vii) Employee benefit plans

The amounts reported in the financial statements relating to the defined benefit pension plans are determined using actuarial valuations that are based on several assumptions including the discount rate and rate of compensation increase. While the Company believes these assumptions are reasonable, differences in actual results or changes in assumptions could affect employee benefit obligations and the related income statement impact. The most significant assumption used to calculate the net employee benefit plan expense is the discount rate. The discount rate is the interest rate used to determine the present value of the future cash flows that is expected will be needed to settle employee benefit obligations. It is based on the yield of long-term, high-quality corporate fixed income investments closely matching the term of the estimated future cash flows and is reviewed and adjusted as changes are required.

(viii) Income taxes

The Company is required to estimate income taxes using substantively enacted tax rates and laws in effect or that will be in effect when the temporary differences are expected to reverse. In determining the measurement of tax uncertainties, the Company recognizes an income tax benefit only when it is probable that the tax benefit will be realized. Realization of deferred income tax assets is dependent on generating sufficient taxable income during the period in which the temporary differences are deductible. Although realization is not assured, management believes it is more likely than not that all recognized deferred income tax assets will be realized based on reversals of deferred income tax liabilities, projected operating results and tax planning strategies available to the Company and its subsidiaries.

(ix) Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes and commitments under regulatory, contractual and other commercial obligations. Contingent losses are recognized by a charge to income when it is likely that a future event will confirm that an asset has been impaired or a liability incurred at the date of the financial statements and the amount can be reasonably estimated. Significant changes in assumptions as to the likelihood and estimates of the amount of a loss could result in recognition of additional liabilities.

Critical judgements

The following are critical judgements apart from those involving estimation:

(i) Determination of a CGU

Management's judgment is required in determining the Company's cash generating units (CGU) for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering operating activities and asset management and are Cable, Satellite, and Wireless.

(ii) Broadcast rights and licences and spectrum licences – indefinite-life assessment

A number of the Company's businesses are dependent upon broadcast licences (or operate pursuant to an exemption order) granted and issued by the CRTC or wireless spectrum licences issued by Innovation, Science and Economic Development Canada (ISED). While these licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory or competitive factors that limit the useful lives of these assets.

Standards, interpretations and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and interpretations that have been issued but are not yet effective. The following pronouncements are being assessed to determine the impact on the Company's results and financial position but the impacts are not expected to be material:

- *Proceeds before Intended Use* (Amendments to IAS 16, *Property, Plant and Equipment*) was amended to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to capable operations. These amendments are required to be applied for annual periods commencing on or after January 1, 2022, however earlier application is permitted.

- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*) was amended to clarify which costs should be included in determining the cost of fulfilling a potential onerous contract. These amendments are required to be applied for annual periods commencing on or after January 1, 2022, however earlier application is permitted.

- *Classification of Liabilities as Current or Non-Current* (Amendments to IAS 1, *Presentation of Financial Statements*) was amended to clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are effective January 1, 2023 with early application permitted. The amendments are required to be adopted retrospectively.

3. ACCOUNTS RECEIVABLE

	2021 $	2020 $
Subscriber and trade receivables	**362**	326
Due from related parties (note 29)	**–**	1
Miscellaneous receivables	**17**	15
	379	342
Less allowance for doubtful accounts (note 30)	**(78)**	(74)
	301	268

Included in operating, general and administrative expenses is a provision for doubtful accounts of $25 (2020 – $60).

4. INVENTORIES

	2021 $	2020 $
Wireless devices and accessories	**33**	40
DTH subscriber equipment	**23**	20
Other – built to suit	**7**	–
	63	60

5. OTHER CURRENT ASSETS

	2021 $	2020 $
Prepaid expenses	**103**	89
Costs incurred to obtain or fulfill a contract with a customer	**59**	61
Wireless handset receivables	**168**	127
Current portion of derivatives	**1**	–
	331	277

6. INVESTMENTS AND OTHER ASSETS

	2021 $	2020 $
Investments in private entities	**70**	42

The Company has a portfolio of minor investments in various private entities. During fiscal 2021, the Company recorded a net fair value adjustment of $27 relating to these investments. This gain is included in other gains (losses) on the Consolidated Statements of Income for the year ended August 31, 2021.

7. PROPERTY, PLANT AND EQUIPMENT

	August 31, 2021			August 31, 2020		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Cable and telecommunications distribution system	**7,475**	**3,957**	**3,518**	7,189	3,699	3,490
Digital cable terminals and modems	**853**	**541**	**312**	937	579	358
Satellite audio, video and data network and DTH receiving equipment	**106**	**66**	**40**	114	68	46
Land and buildings	**646**	**318**	**328**	645	293	352
Data centre infrastructure, data processing and other	**630**	**419**	**211**	638	408	230
Assets under construction	**417**	**–**	**417**	420	–	420
Property, plant and equipment excluding right-of-use assets	**10,127**	**5,301**	**4,826**	9,943	5,047	4,896
Right-of-use assets (note 14)	**1,474**	**281**	**1,193**	1,387	141	1,246
Property, plant and equipment	**11,601**	**5,582**	**6,019**	11,330	5,188	6,142

Changes in the net carrying amounts of property, plant and equipment for 2021 and 2020 are summarized as follows:

	August 31, 2020					August 31, 2021
	Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	Net book value $
Cable and telecommunications distribution system	**3,490**	**441**	**215**	**(625)**	**(3)**	**3,518**
Digital cable terminals and modems	**358**	**146**	**–**	**(196)**	**4**	**312**
Satellite audio, video and data network and DTH receiving equipment	**46**	**8**	**(1)**	**(13)**	**–**	**40**
Land and buildings	**352**	**4**	**2**	**(29)**	**(1)**	**328**
Data centre infrastructure, data processing and other	**230**	**24**	**24**	**(52)**	**(15)**	**211**
Assets under construction	**420**	**239**	**(242)**	**–**	**–**	**417**
	4,896	**862**	**(2)**	**(915)**	**(15)**	**4,826**

	August 31, 2019					August 31, 2020
	Net book value $	Additions $	Transfers $	Amortization $	Disposals and writedown $	Net book value $
Cable and telecommunications distribution system	3,420	393	265	(585)	(3)	3,490
Digital cable terminals and modems	368	214	–	(223)	(1)	358
Satellite audio, video and data network and DTH receiving equipment	60	6	(1)	(17)	(2)	46
Land and buildings	375	6	1	(30)	–	352
Data centre infrastructure, data processing and other	199	63	29	(54)	(7)	230
Assets under construction	461	257	(298)	–	–	420
	4,883	939	(4)	(909)	(13)	4,896

In 2021, the Company recognized a net gain of $3 (2020 – net loss of $3) on the disposal of property, plant and equipment.

8. OTHER LONG-TERM ASSETS

	2021 $	2020 $
Equipment costs subject to a deferred revenue arrangement	**49**	67
Long-term Wireless handset receivables	**45**	35
Costs incurred to obtain or fulfill a contract with a customer	**33**	37
Credit facility arrangement fees	**3**	4
Other	**33**	20
	163	163

Amortization provided in the accounts for 2021 amounted to $47 (2020 – $65) and was recorded as amortization of deferred equipment costs.

9. INTANGIBLES AND GOODWILL

	2021 $	2020 $
Broadcast rights and licences		
Cable systems	**4,016**	4,016
DTH and satellite services	**1,013**	1,013
	5,029	5,029
Wireless spectrum licences	**2,445**	2,445
Other intangibles		
Software	**483**	479
Customer relationships	**39**	44
	7,996	7,997
Goodwill		
Cable and telecommunications systems	**79**	79
Wireless	**201**	201
	280	280
Net book value	**8,276**	8,277

Broadcast rights and licences, trademark, brands and wireless spectrum licences have been assessed as having indefinite useful lives. While licences must be renewed from time to time, the Company has never failed to do so. In addition, there are currently no legal, regulatory, competitive or other factors that limit the useful lives of these assets.

The changes in the carrying amount of intangibles with indefinite useful lives, and therefore not subject to amortization, are as follows:

	Broadcast rights and licences $	Goodwill $	Wireless spectrum licences $
September 1, 2019	5,029	280	2,445
Additions	–	–	–
Disposition	–	–	–
August 31, 2020	**5,029**	**280**	**2,445**
Additions	**–**	**–**	**–**
Disposition	**–**	**–**	**–**
August 31, 2021	**5,029**	**280**	**2,445**

Intangibles subject to amortization are as follows:

	August 31, 2021			August 31, 2020		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Software	**897**	**416**	**481**	806	335	471
Software under construction	**2**	**–**	**2**	8	–	8
Customer relationships	**114**	**75**	**39**	114	70	44
	1,013	**491**	**522**	928	405	523

The changes in the carrying amount of intangibles subject to amortization are as follows:

	Software $	Software under construction $	Customer relationships $	Total $
September 1, 2019	440	11	54	505
Additions	144	–	–	144
Transfers	7	(3)	–	4
Dispositions	–	–	–	–
Amortization	(120)	–	(10)	(130)
August 31, 2020	**471**	**8**	**44**	**523**
Additions	**138**	**–**	**–**	**138**
Transfers	**8**	**(6)**	**–**	**2**
Dispositions	**–**	**–**	**–**	**–**
Amortization	**(136)**	**–**	**(5)**	**(141)**
August 31, 2021	**481**	**2**	**39**	**522**

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2021 and the recoverable amount of the CGUs exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2021 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2021 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2021 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2021 do not represent events or changes in circumstance that would be indicative of impairment at August 31, 2021.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2021, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	5.0%	0.0%	9.7x
Satellite	6.0%	-8.0%	6.5x
Wireless	6.0%	1.0%	6.1x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	16.4%	13.8%	1.9%
Satellite	6.5%	4.2%	3.6%
Wireless	21.9%	13.5%	2.1%

10. SHORT-TERM BORROWINGS

The Company has an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $200. The term of this program extends to May 29, 2022. The Company continues to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables are recognized on the Company's Consolidated Statements of Financial Position and the funding received is recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets.

A summary of our accounts receivable securitization program as at August 31, 2021 is as follows:

	2021 $	2020 $
Accounts receivable securitization program, beginning of period	**200**	40
Proceeds received from accounts receivable securitization	**–**	160
Repayment of accounts receivable securitization	**–**	–
Accounts receivable securitization program, end of period	**200**	200

	2021 $	2020 $
Trade accounts receivable sold to buyer as security	**416**	446
Short-term borrowings from buyer	**(200)**	(200)
Overcollateralization	**216**	246

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2021 $	2020 $
Trade	**112**	82
Program rights	**4**	4
Accrued liabilities	**521**	541
Accrued network fees	**117**	129
Interest and dividends	**210**	217
Related parties (note 29)	**24**	26
	988	999

12. PROVISIONS

	Asset retirement obligations $	Restructuring (1)(2) $	Other (3) $	Total $
Restated balance as at September 1, 2019	78	142	78	298
Additions	–	14	23	37
Accretion	1	–	–	1
Reversal	–	–	(1)	(1)
Payments	–	(143)	(11)	(154)
Balance as at August 31, 2020	**79**	**13**	**89**	**181**
Additions	**–**	**14**	**13**	**27**
Accretion	**(2)**	**–**	**–**	**(2)**
Reversal (3)	**–**	**–**	**(58)**	**(58)**
Payments	**–**	**(25)**	**–**	**(25)**
Balance as at August 31, 2021	**77**	**2**	**44**	**123**
Current	–	13	88	101
Long-term	79	–	1	80
Balance as at August 31, 2020	79	13	89	181
Current	**–**	**2**	**44**	**46**
Long-term	**77**	**–**	**–**	**77**
Balance as at August 31, 2021	**77**	**2**	**44**	**123**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2020 restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. A total of $12 has been paid in fiscal 2021 relating to these initiatives. The remaining $1 costs of are expected to be paid out within the next 5 months.

(2) During fiscal 2021, the Company made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. In connection with the restructuring, the Company recorded $1 in the third quarter, $1 in the second quarter and $12 in the first quarter primarily related to severance and employee related costs, of which $13 has been paid as at August 31, 2021. The remaining $1 costs are expected to be paid within the next 5 months.

(3) During the third quarter of fiscal 2021, the Company recorded a $20 reversal following the CRTC decision on final aggregated Third Party Internet Access rates and a $35 reduction of the interest expense provision.

13. LONG-TERM DEBT

		2021			2020		
	Effective interest rates %	Long-term debt at amortized cost (1) $	Adjustment for finance costs (1) $	Long-term debt repayable at maturity $	Long-term debt at amortized cost (1) $	Adjustment for finance costs (1) $	Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**499**	**1**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**497**	**3**	**500**	496	4	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	495	5	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,503	**47**	**4,550**	4,499	51	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**47**	**–**	**47**	49	–	49
Total consolidated debt		**4,550**	**47**	**4,597**	4,548	51	4,599
Less current portion (2)		**1**	**–**	**1**	1	–	1
		4,549	**47**	**4,596**	4,547	51	4,598

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

Corporate

Bank loans

The Company has an unsecured $1.5 billion bank credit facility, which includes a maximum revolving term or swingline facility of $50, with a syndicate of banks which matures in December 2024. The facility can be used for working capital and general corporate purposes.

The terms of the Arrangement Agreement require that the Company maintain sufficient liquidity to pay an $800 million termination fee payable by Shaw in certain circumstances.

Funds are available to the Company in both Canadian and US dollars. At August 31, 2021, $4 (2020 – $3) has been drawn as committed letters of credit against the revolving term facility. Interest rates fluctuate with Canadian prime and bankers' acceptance rates, US bank base rates and LIBOR rates. Excluding the revolving term facility, the effective interest rate on actual borrowings under the credit facility during 2021 was nil (2020 – 2.81%). The effective interest rate on the revolving term facility for 2021 was 3.62% (2020 – 4.05%).

Senior notes

The senior notes are unsecured obligations and rank equally and rateably with all existing and future senior indebtedness. The fixed rate notes are redeemable at the Company's option at any time, in whole or in part, prior to maturity at 100% of the principal amount plus a make-whole premium.

Other

Burrard Landing Lot 2 Holdings Partnership

The Company has a 33.33% interest in the Partnership which built the Shaw Tower project with office/retail space and living/working space in Vancouver, BC. In the fall of 2004, the commercial construction of the building was completed and in February 2014, the Partnership refinanced its debt. The Partnership received a mortgage loan and used the proceeds to prepay the outstanding balance of the previous mortgage and loan excess funds to each of its partners. The mortgage loan matures on November 1, 2024 and bears interest at 4.683% compounded semi-annually with interest only payable for the first five years. Interest and principal payments commenced on April 1, 2019. The mortgage loan is collateralized by the property and the commercial rental income from the building with no recourse to the Company.

In February 2018, the Partnership received an additional mortgage loan of $30 and used the proceeds to loan excess funds to each of its partners, of which the Company received $10. The additional loan matures on November 1, 2024 and bears interest at 4.14% compounded semi-annually. Monthly mortgage payments consist of both principal and interest components.

Debt covenants

The Company and its subsidiaries have undertaken to maintain certain covenants in respect of the credit agreements and trust indentures described above. The Company and its subsidiaries were in compliance with these covenants at August 31, 2021.

Long-term debt repayments

Mandatory principal repayments on all long-term debt in each of the next five years and thereafter are as follows:

	$
2022	1
2023	1
2024	1,001
2025	44
2026	–
Thereafter	3,550
	4,597

Interest expense

	2021 $	2020 $
Interest expense – long-term debt	**223**	224
Amortization of senior notes discounts	**1**	1
Interest income – short-term (net)	**(4)**	(7)
Interest on lease liabilities (note 14)	**45**	44
Interest expense – other [1]	**(34)**	12
	231	274

[1] Interest expense – other includes a $35 million reduction of tax related interest expense resulting from a revision of liabilities for uncertain tax positions that became statute barred in the period.

14. LEASES

Below is a summary of the activity related to the Company's right-of-use assets for the years ended August 31, 2021 and 2020.

	$
Net book value as at September 1, 2019	1,340
Additions	59
Amortization	(141)
Lease terminations and other	(12)
Net book value as at August 31, 2020	**1,246**
Additions	**114**
Amortization	**(139)**
Lease terminations and other	**(28)**
Net book value as at August 31, 2021	**1,193**

Below is a summary of the activity related to the Company's lease liabilities for the years ended August 31, 2021 and 2020.

	$
Balance as at September 1, 2019	1,324
Net additions	55
Interest on lease liabilities	44
Interest payments on lease liabilities	(44)
Principal payments of lease liabilities	(112)
Other	3
Balance as at August 31, 2020	**1,270**
Net additions	**85**
Interest on lease liabilities	**45**
Interest payments on lease liabilities	**(45)**
Principal payments of lease liabilities	**(110)**
Other	**–**
Balance as at August 31, 2021	**1,245**
Current	113
Long-term	1,157
Balance as at August 31, 2020	1,270
Current	**110**
Long-term	**1,135**
Balance as at August 31, 2021	**1,245**

Lease liabilities are subject to amortization schedules, which results in the principal being repaid over various periods, including reasonably expected renewals. The weighted average interest rate on lease liabilities was approximately 3.55% as at August 31, 2021. Refer to Note 30 for a maturity analysis of the Company's lease liabilities.

The Company leases Ku-band and C-band transponders on the Anik F1R, Anik F2 and Anik G1 satellites. As part of the Ku-band transponder agreements with Telesat Canada, the Company is committed to paying annual transponder maintenance and licence fees for each transponder from the time the satellite becomes operational for a period of 15 years. As at August 31, 2021, the Company has recorded lease liabilities of $246 relating to these transponders.

Below is a summary of the Company's other expenses related to leases included in operating, general and administrative expenses.

	2021 $	2020 $
Expenses related to variable lease components not included in lease liabilities	**20**	20
Expenses related to low-value leases	**33**	32
	53	52

15. OTHER LONG-TERM LIABILITIES

	2021 $	2020 $
Pension liabilities (note 28)	**21**	68
Post retirement liabilities (note 28)	**5**	4
	26	72

16. DEFERRED CREDITS

	2021 $	2020 $
IRU prepayments	**374**	387
Equipment revenue	**13**	17
Deposit on future fibre sale	**2**	2
	389	406

Amortization of deferred credits for 2021 amounted to $25 (2020 – $29) and was recorded in the accounts as described below.

IRU agreements are in place for periods ranging from 21 to 60 years and are being amortized to income over the agreement periods. Amortization in respect of the IRU agreements for 2021 amounted to $13 (2020 – $13) and was recorded as other amortization. Amortization of equipment revenue for 2021 amounted to $11 (2020 – $16).

17. SHARE CAPITAL

Authorized

The Company is authorized to issue a limited number of Class A Shares of no par value, as described below; an unlimited number of Class B Shares of no par value; an unlimited number of Class 1 Preferred Shares issuable in series; and an unlimited number of Class 2 Preferred Shares issuable in series, of which 12,000,000 were designated Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A ("Series A Shares") and 12,000,000 were designated Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B ("Series B Shares").

The authorized number of Class A Shares is limited, subject to certain exceptions, to the lesser of that number of shares (i) currently issued and outstanding and (ii) that may be outstanding after any conversion of Class A Shares into Class B Shares.

Issued and outstanding

2021	2020		2021	2020
Number of securities			$	$
22,372,064	22,372,064	Class A Shares	**2**	2
476,537,262	490,632,833	Class B Shares	**4,197**	4,307
–	10,012,393	Series A Shares	–	245
–	1,987,607	Series B Shares	–	48
498,909,326	525,004,897		**4,199**	4,602

Class A Shares and Class B Shares

Class A Shares are convertible at any time into an equivalent number of Class B Shares. In the event that a take-over bid is made for Class A Shares, in certain circumstances, the Class B Shares are convertible into an equivalent number of Class A Shares.

Changes in Class A Share capital and Class B Share capital in 2021 and 2020 are as follows:

	Class A Shares		Class B Shares	
	Number	$	Number	$
September 1, 2019	22,372,064	2	494,389,771	4,310
Stock option exercises	–	–	407,733	9
Dividend reinvestment plan	–	–	1,445,494	37
Restricted Share Units	–	–	4,507	–
Shares Repurchased	–	–	(5,614,672)	(49)
August 31, 2020	**22,372,064**	**2**	**490,632,833**	**4,307**
Stock option exercises	**–**	**–**	**681,980**	**19**
Restricted Share Units	**–**	**–**	**6,423**	**–**
Shares Repurchased	**–**	**–**	**(14,783,974)**	**(129)**
August 31, 2021	**22,372,064**	**2**	**476,537,262**	**4,197**

Series A and B Shares

The Series A Shares and Series B Shares represented series of Class 2 Preferred Shares that were classified as equity since redemption, at $25.00 per Series A Share and Series B Share, was at the Company's option and payment of dividends was at the Company's discretion.

On June 30, 2021 (the "Redemption Date"), the Company redeemed all of its issued and outstanding Preferred Shares in accordance with their terms (as set out in the Company's articles) at a price equal to $25.00 per Preferred Share (the "Redemption Price"), less any tax required to be deducted or withheld.

On the Redemption Date, there were 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. Accordingly, the aggregate Redemption Price paid by Shaw on the Redemption Date to redeem the Preferred Shares was $300.

Share transfer restriction

The Articles of the Company empower the directors to refuse to issue or transfer any share of the Company that would jeopardize or adversely affect the right of Shaw Communications Inc. or any subsidiary to obtain, maintain, amend or renew a licence to operate a broadcasting undertaking pursuant to the Broadcasting Act (Canada).

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and will remain in effect until November 4, 2021. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020.

During the year ended August 31, 2021, the Company purchased 14,783,974 Class B Shares for cancellation for a total cost of approximately $336 under the NCIB program. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $207 and was charged to retained earnings.

In connection with the announcement of the Transaction on March 15, 2021 (as discussed in more detail in Note 1), the Company suspended share buybacks under its NCIB program.

Dividend Reinvestment Plan

On October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (DRIP), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Shares delivered under the DRIP. These changes to the DRIP were applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019 and all other dividends payable thereafter.

18. SHARE-BASED COMPENSATION AND AWARDS

Stock option plan

Under the Company's stock option plan, directors, officers, employees, and consultants are eligible to receive stock options to acquire Class B Shares with terms not to exceed ten years from the date of grant and for such number of Class B Shares as the Board, or a committee thereof, determines in its discretion. An option is not immediately exercisable, but rather is exercisable on vesting dates determined by the Board from time to time. The Company's current practice is to award options for terms of ten years with 20% of the options in a grant vesting on each of the first through fifth anniversaries of the grant date. The Board, or a committee thereof, may grant options at an exercise price not less than the closing price of the Class B Shares on the TSX on the trading day immediately preceding the date on which the options are granted. The maximum number of Class B Shares issuable under the plan may not exceed 62,000,000. As at August 31, 2021, 40,319,392 Class B Shares have been issued under the plan.

The changes in options are as follows:

	2021		2020	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of year	**7,358,130**	**26.36**	8,363,031	26.11
Granted	**1,423,000**	**21.82**	84,000	26.88
Forfeited	**(599,260)**	**26.33**	(681,168)	26.65
Exercised[(1)]	**(681,980)**	**25.84**	(407,733)	21.57
Outstanding, end of year	**7,499,890**	**25.56**	7,358,130	26.36

(1) The weighted average Class B Share price for the options exercised for the year ended August 31, 2021 was $33.67 (2020 – $25.60).

The following table summarizes information about the options outstanding at August 31, 2021:

	Options outstanding			Options exerciseable	
Range of prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
$19.75 to $22.76	1,485,575	8.79	21.80	67,575	21.28
$22.77 to $26.17	1,501,060	4.34	24.42	1,352,360	24.33
$26.18 to $26.32	1,540,595	6.10	26.28	971,695	26.27
$26.33 to $27.55	1,505,605	5.62	27.05	1,022,705	27.12
$27.56 to $30.87	1,467,055	5.46	28.27	1,134,755	28.33

The weighted average estimated fair value at the date of the grant for common share options granted for the year ended August 31, 2021 was $1.42 (2020 – $1.83) per option. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2021	2020
Dividend yield	**5.43%**	4.41%
Risk-free interest rate	**0.50%**	1.45%
Expected life of options	**7 years**	7 years
Expected volatility factor of the future expected market price of Class B Shares	**20.00%**	15.90%

Expected volatility has been estimated based on the historical share price volatility of the Company's Class B Shares.

Restricted share unit plan and Performance share unit plan

The Company has an RSU/PSU plan which provides that RSUs may be granted to directors, officers and employees of the Company and PSUs may be granted to officers and employees of the Company. Vested RSUs and PSUs will be settled in either cash or Class B Shares as determined by the Human Resources and Compensation Committee at the time of the grant. The cash payout will be based on the market value of a Class B Share at the time of the payout. When cash dividends are paid on Class B Shares, holders are credited with additional RSUs or PSUs, as applicable, equal to the dividend.

For PSUs, the performance criteria is set by the Human Resources and Compensation Committee at the time of the grant, and typically requires the achievement of a minimum level of performance, otherwise the payout is zero, while maximum performance is capped at 150%. On settlement of vested PSUs, the number of Class B Shares issued or delivered, or the amount of cash payment will be multiplied by the applicable performance factor.

During 2021, $22 was recognized as compensation expense (2020 – $9). The carrying value and intrinsic value of combined RSUs and PSUs at August 31, 2021 was $30 and $30, respectively (August 31, 2020 – $12 and $12, respectively).

Deferred share unit plan

The Company has a DSU plan for its Board of Directors whereby directors may elect to receive their annual cash compensation, or a portion thereof, in DSUs and/or RSUs, provided that any director who has not met the applicable share ownership guideline is generally required to elect to receive at least 50% of his or her annual compensation in DSUs and/or RSUs. In addition, the Company may adjust and/or supplement directors' compensation with periodic grants of DSUs. A DSU is a right that tracks the value of one Class B Share. Holders will be entitled to a cash payout when they cease to be a director. The cash payout will be based on market value of a Class B Share at the time of payout. When cash dividends are paid on Class B Shares, holders are credited with DSUs equal to the dividend. DSUs do not have voting rights as there are no shares underlying the plan.

During 2021, $11 was recognized as compensation expense (2020 – $2). The carrying value and intrinsic value of DSUs at August 31, 2021 was $35 and $33, respectively (August 31, 2020 – $24 and $20, respectively).

Employee share purchase plan

Generally, all Canadian, non-unionized, full time or part time employees of the Company are eligible to enroll in the ESPP. Under the ESPP, eligible employees may contribute to a maximum of 5% of their monthly base compensation. The Company contributes an amount equal to 25% of the employee's contributions, increasing to 33% once an employee reaches 10 years of continuous service.

During 2021, $5 was recorded as compensation expense (2020 – $5).

19. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	2021	2020
Numerator for basic and diluted earnings per share ($)		
Net income	**986**	688
Deduct: dividends on Preferred Shares	**(7)**	(9)
Net income attributable to common shareholders	**979**	679
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**504**	515
Effect of dilutive securities[(1)]	**1**	–
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**505**	515
Basic and diluted earnings per share ($)	**1.94**	1.32

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the year ended August 31, 2021, 174,031 options were excluded from the diluted earnings per share calculation (2020 – 6,380,558).

20. DIVIDENDS

Common share dividends

The holders of Class A Shares and Class B Shares are entitled to receive such dividends as the Board of Directors determines to declare on a share-for-share basis, as and when any such dividends are declared or paid. The holders of Class B Shares are entitled to receive during each dividend period, in priority to the payment of dividends on the Class A Shares, an additional dividend amount of $0.0025 per share per annum. This additional dividend amount is subject to proportionate adjustment in the event of future consolidations or subdivisions of shares and in the event of any issue of shares by way of stock dividend. After payment or setting aside for payment of the additional non-cumulative dividends on the Class B Shares, holders of Class A Shares and Class B Shares participate equally, share for share, as to all subsequent dividends declared.

Preferred share dividends

Holders of the Series A Shares were entitled to receive, as and when declared by the Company's Board of Directors, a cumulative quarterly fixed dividend yielding 4.50% annually for the initial period ending June 30, 2016. Commencing

June 30, 2016, the dividend rate was reset to 2.791% for the five year period ending June 30, 2021. Thereafter, the dividend rate was to be reset every five years at a rate equal to the then current 5-year Government of Canada bond yield plus 2.00%. Holders of Series A Shares had the right, at their option, to convert their shares into Series B Shares, subject to certain conditions, on June 30, 2016 and on June 30 every five years thereafter. As noted in note 17, the Company redeemed all of the Series A Shares on June 30, 2021.

On June 30, 2016, 1,987,607 Series A Shares were converted into an equal number of Series B Shares. The Series B Shares also represented a series of Class 2 preferred shares and holders were entitled to receive cumulative quarterly dividends, as and when declared by the Company's Board of Directors, at a rate set quarterly equal to the then current three-month Government of Canada Treasury Bill yield plus 2.00%. The floating quarterly dividend rate for the Series B Shares were set as follows:

Period	Annual Dividend Rate
June 30, 2016 to September 29, 2016	2.539%
September 30, 2016 to December 30, 2016	2.512%
December 31, 2016 to March 30, 2017	2.509%
March 31, 2017 to June 29, 2017	2.480%
June 30, 2017 to September 29, 2017	2.529%
September 30, 2017 to December 30, 2017	2.742%
December 31, 2017 to March 30, 2018	2.872%
March 31, 2018 to June 29, 2018	3.171%
June 30, 2018 to September 29, 2018	3.300%
September 30, 2018 to December 30, 2018	3.509%
December 31, 2018 to March 30, 2019	3.713%
March 31, 2019 to June 29, 2019	3.682%
June 30, 2019 to September 29, 2019	3.687%
September 30, 2019 to December 30, 2019	3.638%
December 31, 2019 to March 30, 2020	3.652%
March 31, 2020 to June 29, 2020	3.638%
June 30, 2020 to September 29, 2020	2.255%
September 30, 2020 to December 30, 2020	2.149%
December 1, 2020 to March 30, 2021	2.109%
March 31, 2021 to June 29, 2021	2.073%

As noted in note 17, the Company redeemed all of the Series B Shares on June 30, 2021 and accordingly, the final dividends on the Preferred Shares were paid by Shaw on the Redemption Date.

Dividend reinvestment plan

The Company has a DRIP that allows holders of Class A Shares and Class B Shares who are residents of Canada and, effective December 16, 2016, the United States, to automatically reinvest monthly cash dividends to acquire additional Class B Shares. For the two-month period ended October 30, 2019, Class B Shares distributed under the Company's DRIP were new shares issued from treasury at a 2% discount from the 5 day weighted average market price immediately preceding the applicable dividend payment date.

On October 25, 2019, in accordance with the terms of its DRIP, the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Shares delivered under the DRIP. These changes to the DRIP applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019 and all other dividends payable thereafter.

Dividends declared

The dividends per share recognized as distributions to common shareholders for dividends declared during the year ended August 31, 2021 and 2020 are as follows:

2021		2020	
Class A Voting Share	**Class B Share**	**Class A Voting Share**	**Class B Share**
1.1825	1.1850	1.1825	1.1850

The dividends per share recognized as distributions to preferred shareholders for dividends declared during the year ended August 31, 2020 and 2019 are as follows:

2021		2020	
Series A Share	**Series B Share**	**Series A Share**	**Series B Share**
0.5233	0.3957	0.6978	0.8240

On October 29, 2021, the Company declared dividends of $0.098542 per Class A Share and $0.09875 per Class B Share payable on each of December 30, 2021, January 28, 2022 and February 25, 2022 to shareholders of record at the close of business on December 15, 2021, January 14, 2022 and February 15, 2022, respectively.

21. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for 2021 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(1)	–	(1)
Adjustment for hedged items recognized in the period	6	(1)	5
	5	(1)	4
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:	48	(12)	36
	53	(13)	40

Components of other comprehensive income and the related income tax effects for 2020 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(5)	1	(4)
Adjustment for hedged items recognized in the period	(3)	1	(2)
	(8)	2	(6)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:	2	(1)	1
	(6)	1	(5)

Accumulated other comprehensive loss is comprised of the following:

	2021 $	2020 $
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	(5)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:	**(58)**	(94)
	(59)	(99)

22. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
August 31, 2019	158	238
Increase in contract assets from revenue recognized during the period	200	–
Contract assets transferred to trade receivables	(170)	–
Contract terminations transferred to trade receivables	(16)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(231)
Increase in contract liabilities during the period	–	218
August 31, 2020	**172**	**225**
Increase in contract assets from revenue recognized during the period	**140**	**–**
Contract assets transferred to trade receivables	**(171)**	**–**
Contract terminations transferred to trade receivables	**(16)**	**–**
Revenue recognized included in contract liabilities at the beginning of the year	**–**	**(219)**
Increase in contract liabilities during the period	**–**	**222**
August 31, 2021	**125**	**228**

	Contract Assets	Contract Liabilities
Current	132	211
Long-term	40	14
Balance as at August 31, 2020	172	225
Current	**97**	**213**
Long-term	**28**	**15**
Balance as at August 31, 2021	**125**	**228**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the year ended August 31, 2021 and 2020. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2019	94
Additions to deferred commission cost assets	84
Amortization recognized on deferred commission cost assets	(80)
August 31, 2020	**98**
Additions to deferred commission cost assets	**75**
Amortization recognized on deferred commission cost assets	**(81)**
August 31, 2021	**92**
Current	61
Long-term	37
Balance as at August 31, 2020	98
Current	**59**
Long-term	**33**
Balance as at August 31, 2021	**92**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	2021 $	2020 $
Services		
Wireline – Consumer	**3,665**	3,683
Wireline – Business	**584**	567
Wireless	**891**	815
	5,140	5,065
Equipment and other		
Wireless	**381**	351
	381	351
Intersegment eliminations	**(12)**	(9)
Total revenue	**5,509**	5,407

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at August 31, 2021:

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total
Wireline	1,583	742	151	77	30	2	2,585
Wireless	348	101	–	–	–	–	449
Total	**1,931**	**843**	**151**	**77**	**30**	**2**	**3,034**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

23. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	2021 $	2020 $
Employee salaries and benefits [1]	**664**	657
Purchases of goods and services	**2,359**	2,373
	3,023	3,030

[1] For the year ended August 31, 2021, employee salaries and benefits include restructuring costs of $14 (2020 – $14).

24. OTHER GAINS (LOSSES)

	2021 $	2020 $
Gain on disposal of fixed assets and intangibles	**3**	(3)
Costs associated with Rogers Transaction	**(23)**	–
Debt Redemption Penalty	**–**	(17)
Fair value adjustment of private investments	**27**	–
Other [1]	**(9)**	4
	(2)	(16)

[1] Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

25. INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company's net deferred tax liability consists of the following:

	2021 $	2020 $
Deferred tax assets	**2**	1
Deferred tax liabilities	**(1,998)**	(1,968)
Net deferred tax liability	**(1,996)**	(1,967)

Significant changes recognized to deferred income tax assets (liabilities) are as follows:

	Property, plant and equipment and software assets $	Broadcast rights, licences, customer relationships, trademark and brands $	Partnership income $	Non-capital loss carry-forwards $	Accrued charges $	Capital Loss Carry-Forwards $	Total $
Balance at August 31, 2019	(299)	(1,626)	(32)	93	(7)	–	(1,871)
Recognized in statement of income	(51)	(10)	21	13	(32)	–	(59)
Effect of IFRS 16 adoption	(4)	–	–	–	4	–	–
Effect of IFRIC 23 adoption	(40)	2	–	–	–	–	(38)
Recognized in other comprehensive income	–	–	–	–	1	–	1
Balance at August 31, 2020	**(394)**	**(1,634)**	**(11)**	**106**	**(34)**	**–**	**(1,967)**
Recognized in statement of income	**(18)**	**(16)**	**(62)**	**56**	**21**	**3**	**(16)**
Recognized in other comprehensive income	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Balance at August 31, 2021	**(412)**	**(1,650)**	**(73)**	**162**	**(26)**	**3**	**(1,996)**

The Company has capital loss carryforwards of approximately $27 for which no deferred income tax asset has been recognized in the accounts. These capital losses can be carried forward indefinitely.

The Company has taxable temporary differences associated with its investment in its subsidiaries. No deferred tax liabilities have been provided with respect to such temporary differences as the Company is able to control the timing of the reversal and such reversal is not probable in the foreseeable future.

The income tax expense differs from the amount computed by applying the statutory rates to income before income taxes for the following reasons:

	2021	2020
Current statutory income tax rate	**25.5%**	26.3%
Income tax expense at current statutory rates	**263**	228
Net increase (decrease) in taxes resulting from:		
Recognition of previously unrecognized tax losses	**(81)**	(22)
Revision to liabilities for uncertain tax positions	**(125)**	–
Other	**(11)**	(27)
Income tax expense	**46**	179

The statutory income tax rate for the Company decreased from 26.3% in 2020 to 25.5% in 2021 as a result of provincial tax rate changes.

The components of income tax expense are as follows:

	2021 $	2020 $
Current income tax expense	**155**	120
Current tax recovery from revision to liabilities for uncertain tax positions	**(125)**	–
Deferred tax expense related to temporary differences	**97**	81
Deferred tax recovery from the recognition of previously unrecognized tax losses	**(81)**	(22)
Income tax expense	**46**	179

26. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

	2021 $	2020 $
Revenue		
Wireline	**4,249**	4,250
Wireless	**1,272**	1,166
	5,521	5,416
Intersegment eliminations	**(12)**	(9)
	5,509	5,407
Adjusted EBITDA (1)		
Wireline	**2,107**	2,054
Wireless	**393**	337
	2,500	2,391
Restructuring costs	**(14)**	(14)
Amortization	**(1,219)**	(1,217)
Operating income	**1,267**	1,160
Interest		
Operating	**228**	267
Other/non-operating	**3**	7
	231	274
Current taxes (2)		
Operating	**155**	113
Other/non-operating	**(125)**	7
	30	120

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

(2) Current taxes are lower for the year ended August 31, 2021 due mainly to a revision to liabilities for uncertain tax positions that became statute barred in the period of $125.

Capital expenditures

	2021 $	2020 $
Capital expenditures accrual basis		
Wireline	**701**	784
Wireless	**280**	296
	981	1,080
Equipment costs (net of revenue)		
Wireline	**22**	31
Capital expenditures and equipment costs (net)		
Wireline	**723**	815
Wireless	**280**	296
	1,003	1,111
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**858**	970
Additions to equipment costs (net)	**21**	31
Additions to other intangibles	**138**	150
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**1,017**	1,151
Increase (decrease) in working capital and other liabilities related to capital expenditures	**7**	(38)
Less: Proceeds on disposal of property, plant and equipment	**(21)**	(2)
Total capital expenditures and equipment costs (net) reported by segments	**1,003**	1,111

27. COMMITMENTS AND CONTINGENCIES

Commitments

The Company has the following future minimum payments for their contractual commitments that are not recognized as liabilities as at August 31, 2021:

	Purchase Obligations (1)	Property, Plant and Equipment
Within one year	420	157
1 to 3 years	297	9
3 to 5 years	174	–
Over 5 years	111	–
	1,002	166

(1) Includes contractual obligations under service, product, and wireless device contracts, program related agreements and exclusive rights to use intellectual property in Canada.

Contingencies

The Company and its subsidiaries are involved in litigation matters arising in the ordinary course and conduct of its business. Although resolution of such matters cannot be predicted with certainty, management does not consider the Company's exposure to litigation to be material to these consolidated financial statements.

Guarantees

In the normal course of business the Company enters into indemnification agreements and has issued irrevocable standby letters of credit and commercial surety bonds with and to third parties.

Indemnities

Many agreements related to acquisitions and dispositions of business assets include indemnification provisions where the Company may be required to make payment to a vendor or purchaser for breach of contractual terms of the agreement with respect to matters such as litigation, income taxes payable or refundable or other ongoing disputes. The indemnification period usually covers a period of two to four years. Also, in the normal course of business, the Company has provided indemnifications in various commercial agreements, customary for the telecommunications industry, which may require payment by the Company for breach of contractual terms of the agreement. Counterparties to these agreements provide the Company with comparable indemnifications. The indemnification period generally covers, at maximum, the period of the applicable agreement plus the applicable limitations period under law.

The maximum potential amount of future payments that the Company would be required to make under these indemnification agreements is not reasonably quantifiable as certain indemnifications are not subject to limitation. However, the Company enters into indemnification agreements only when an assessment of the business circumstances would indicate that the risk of loss is remote. At August 31, 2021, management believes it is remote that the indemnification provisions would require any material cash payment.

The Company indemnifies its directors and officers against any and all claims or losses reasonably incurred in the performance of their service to the Company to the extent permitted by law.

Irrevocable standby letters of credit and commercial surety bonds

The Company and certain of its subsidiaries have granted irrevocable standby letters of credit and commercial surety bonds, issued by high rated financial institutions, to third parties to indemnify them in the event the Company does not perform its contractual obligations. As of August 31, 2021, such instruments amounted to $4. The Company has not recorded any additional liability with respect to these instruments, as the Company does not expect to make any payments in excess of what is recorded on the Company's consolidated financial statements. The instruments mature at various dates during fiscal 2022 to fiscal 2023.

28. EMPLOYEE BENEFIT PLANS

Defined contribution pension plans

The Company has defined contribution pension plans for its non-union employees and, for the majority of these employees, contributes 5% of eligible earnings to the maximum amount deductible under the Income Tax Act. Effective January 1, 2019, the Company introduced a voluntary pension contribution matching program whereby, in addition to the 5% of Company contributions, employees who make voluntary contributions will receive a 25% match on contributions up to 5% of their eligible earnings. For union employees, the Company contributes amounts up to 9.8% of earnings to the individuals' registered retirement savings plans. Total pension costs in respect of these plans were $30 (2020 – $31) of which $23 (2020 – $24) was expensed and the remainder capitalized.

Defined benefit pension plans

The Company has two non-registered retirement plans for designated executives and senior executives. The following is a summary of the accrued benefit liabilities recognized in the consolidated statements of financial position.

	2021 $	**2020 $**
Non-registered plans		
Accrued benefit obligation	**489**	513
Fair value of plan assets	**468**	445
Accrued benefit liabilities and deficit	**21**	68

The plans expose the Company to a number of risks, of which the most significant are as follows:

(i) Volatility in market conditions: The accrued benefit obligations are calculated using discount rates with reference to bond yields closely matching the term of the estimated cash flows while many of the assets are invested in other types of assets. If plan assets underperform these yields, this will result in a deficiency. Changing market conditions in conjunction with discount rate volatility will result in volatility of the accrued benefit liabilities. To mitigate some of the investment risk, the Company has established long-term funding targets where the time horizon and risk tolerance are specified.

(ii) Selection of accounting assumptions: The calculation of the accrued benefit obligations involves projecting future cash flows of the plans over a long time frame. This means that assumptions used can have a material impact on the consolidated statements of financial position and comprehensive income because in practice, future experience of the plans may not be in line with the selected assumptions.

Non-registered pension plans

The Company provides a supplemental executive retirement plan (SERP) for certain of its senior executives and retirees. Benefits under this plan are based on the employees' length of service and their highest three-year average rate of eligible pensionable earnings during their years of service. In 2012, the Company closed the plan to new participants and amended the plan to freeze base salary levels at August 31, 2012 for purposes of determining eligible pensionable earnings. Employees are not required to contribute to this plan.

The Company provides an executive retirement plan (ERP) for certain executives not covered by the SERP. Benefits under this plan are comprised of defined contribution and defined benefit components and are based on the employees' length of service as well as final average earnings during their years of service. Employees are not required to contribute to this plan.

The table below shows the change in benefit obligation and funding status and the fair value of plan assets.

	SERP $	ERP $	2021 Total $	SERP $	ERP $	2020 Total $
Accrued benefit obligation, beginning of year	**477**	**36**	**513**	478	27	505
Current service cost	**–**	**9**	**9**	2	9	11
Interest cost	**13**	**1**	**14**	14	1	15
Payment of benefits to employees	**(20)**	**(2)**	**(22)**	(19)	(2)	(21)
Transfer from DC plan	**–**	**1**	**1**	–	1	1
Remeasurements:						
Effect of changes in demographic assumptions	**–**	**–**	**–**	16	–	16
Effect of changes in financial assumptions	**(24)**	**(3)**	**(27)**	13	1	14
Effect of experience adjustments	**1**	**–**	**1**	(27)	(1)	(28)
Accrued benefit obligation, end of year	**447**	**42**	**489**	477	36	513
Fair value of plan assets, beginning of year	**415**	**30**	**445**	417	19	436
Employer contributions	**–**	**10**	**10**	–	12	12
Interest income	**11**	**–**	**11**	12	1	13
Transfer from DC plan	**–**	**1**	**1**	–	1	1
Payment of benefits	**(20)**	**(2)**	**(22)**	(19)	(2)	(21)
Return on plan assets, excluding interest income	**22**	**1**	**23**	5	(1)	4
Fair value of plan assets, end of year	**428**	**40**	**468**	415	30	445
Accrued benefit liability and plan deficit, end of year	**19**	**2**	**21**	62	6	68

The weighted average duration of the defined benefit obligation of the SERP and ERP at August 31, 2021 is 14.5 years and 15.9 years, respectively.

The underlying plan assets of the SERP and ERP at August 31, 2021 are invested in the following:

	SERP	ERP
Cash and cash equivalents	199	25
Fixed income securities	69	5
Equity securities – Canadian	52	4
Equity securities – Foreign	108	6
	428	40

All fixed income and equity securities have a quoted price in active market.

The tables below show the significant weighted-average assumptions used to measure the pension obligation and cost for the plans.

Accrued benefit obligation	2021 SERP %	2021 ERP %	2020 SERP %	2020 ERP %
Discount rate	**3.10**	**3.10**	2.70	2.70
Rate of compensation increase	**3.00**[(1)]	**3.00**	3.00[(1)]	3.00

Benefit cost for the year	2021 SERP %	2021 ERP %	2020 SERP %	2020 ERP %
Discount rate	**2.70**	**2.70**	2.90	2.90
Rate of compensation increase	**3.00**[(1)]	**3.00**	3.00[(1)]	3.00

(1) Applies only to incentive compensation component of eligible pensionable earnings.

The calculation of the accrued benefit obligation is sensitive to the assumptions above. A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2021 by $72. A one percentage point increase in the rate of compensation increase would have increased the accrued benefit obligation by $2.

When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the present value of the defined benefit obligation has been calculated using the projected benefit method which is the same method that is applied in calculating the defined benefit liability recognized in the consolidated statements of financial position. The sensitivity analysis presented above may not be representative of the actual change in the accrued benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

The net pension benefit plan expense, which is included in employee salaries and benefits expense, is comprised of the following components:

	SERP	ERP	2021 Total	SERP	ERP	2020 Total
Current service cost	**–**	**9**	**9**	2	9	11
Interest cost	**13**	**1**	**14**	14	1	15
Interest income	**(11)**	**–**	**(11)**	(12)	(1)	(13)
Pension expense	**2**	**10**	**12**	4	9	13

Other benefit plans

The Company has post-employment benefits plans that provide post-retirement health and life insurance coverage to certain executive level retirees and are funded on a pay-as-you-go basis. The table below shows the change in the accrued post-retirement obligation which is recognized in the consolidated statements of financial position.

	2021	2020
Accrued benefit obligation and plan deficit, beginning of year	**4**	4
Current service cost	**–**	–
Interest cost	**–**	–
Payment of benefits to employees	**–**	–
Remeasurements:		
Effect of changes in demographic assumptions	**1**	–
Effect of changes in financial assumptions	**(1)**	–
Effect of experience adjustments	**1**	–
Accrued benefit obligation and plan deficit, end of year	**5**	4

The weighted average duration of the benefit obligation at August 31, 2021 is 16.7 years.

The post-retirement benefit plan expense, which is included in employee salaries and benefits expense, is $nil (2020 – $nil) and is comprised of current service and interest cost.

The discount rates used to measure the post-retirement benefit cost for the year and the accrued benefit obligation as at August 31, 2021 were 3.10% and 2.70%, respectively (2020 – 2.70% and 2.90%, respectively). A one percentage point decrease in the discount rate would have increased the accrued benefit obligation at August 31, 2021 by $1.

Employer contributions

The Company's estimated contributions to the defined benefit plans in fiscal 2022 is $nil.

29. RELATED PARTY TRANSACTIONS

Controlling shareholder

Voting control of the Company is held by Shaw Family Living Trust (SFLT) and its subsidiaries. As at August 31, 2021, SFLT and its subsidiaries held, directly or indirectly, or exercised control or direction over 17,662,400 Class A Shares, representing approximately 79% of the issued and outstanding Class A Shares, for the benefit of the descendants of the late JR Shaw and Carol Shaw. The sole trustee of SFLT is a private company controlled by a board consisting of seven directors, including as at August 31, 2021, Bradley S. Shaw, four other members of his family, and two independent directors.

The Class A Shares are the only shares entitled to vote in all circumstances. Accordingly, SFLT and its subsidiaries are able to elect a majority of the Board of Directors of the Company and to control the vote on matters submitted to a vote of the Company's Class A Shares.

Significant investments in subsidiaries

The following are the significant subsidiaries of the Company, all of which are incorporated or partnerships in Canada.

	Ownership Interest	
	August 31, 2021	**August 31, 2020**
Shaw Cablesystems Limited	**100%**	100%
Shaw Cablesystems G.P.	**100%**	100%
Shaw Envision Inc.	**100%**	100%
Shaw Telecom Inc.	**100%**	100%
Shaw Telecom G.P.	**100%**	100%
Shaw Satellite Services Inc.	**100%**	100%
Star Choice Television Network Incorporated	**100%**	100%
Shaw Satellite G.P.	**100%**	100%
Freedom Mobile Inc.	**100%**	100%

Key management personnel and Board of Directors

Key management personnel consist of the most senior executive team and along with the Board of Directors, and have the authority and responsibility for planning, directing and controlling the activities of the Company.

Compensation

The compensation expense of key management personnel and Board of Directors is as follows:

	2021 $	2020 $
Short-term employee benefits	**20**	17
Post-employment pension benefits	**7**	3
Termination benefits	**–**	11
Share-based compensation	**22**	6
	49	37

Transactions

The Company paid $2 (2020 – $2) for collection, installation, and maintenance services to a company controlled by a Director of the Company.

During the year, the Company paid $4 (2020 – $10) for remote control units to a supplier where Directors of the Company hold positions on the supplier's board of directors.

At August 31, 2021, the Company had $nil owing in respect of these transactions (2020 – $1).

During the year, network fees of $24 (2020 – $27) were paid to a programmer where a Director of the Company holds a position on the programmer's board of directors.

At August 31, 2021, the Company had $4 owing in respect of these transactions (2020 – $4).

In fiscal 2019, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of SFLT (the "Purchaser"). As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which was also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company. At August 31, 2021, the Company had a remaining lease liability of $nil (2020 - $1) in respect of this lease which is included in the amounts disclosed in Note 14.

Other related parties

The Company has entered into certain transactions and agreements in the normal course of business with certain of its related parties. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Corus

The Company and Corus are subject to common voting control. During the year, network fees of $116 (2020 – $121), advertising fees of $5 (2020 – $6), and administrative fees of $1 (2020 – $1) were paid to various Corus subsidiaries and entities subject to significant influence. In addition, the Company provided administrative, advertising and other services for $1 (2020 – $1), uplink of television signals for $4 (2020 – $5), and Internet services and lease of circuits for $5 (2020 – $6). At August 31, 2021, the Company had a net of $20 owing in respect of these transactions (2020 – $21).

As part of a regulatory requirement where Shaw pays Corus in lieu of either providing the news coverage directly or contributing into a fund managed by the CRTC, Shaw paid $12 (2020 – $13) as part of the Local News Community Investment program.

The Company provided Corus with advertising spots in return for radio and television advertising. No monetary consideration was exchanged for these transactions and no amounts were recorded in the accounts.

Burrard Landing Lot 2 Holdings Partnership

During the year, the Company paid $10 (2020 – $11) to the Partnership for lease of office space in Shaw Tower. Shaw Tower, located in Vancouver, BC, is the Company's headquarters for its lower mainland operations. At August 31, 2021, the Company had a remaining lease liability of $57 (2020 - $67) in respect of the office space lease which is included in the amounts disclosed in Note 14.

30. FINANCIAL INSTRUMENTS

Fair values

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and Other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at estimated fair value based on information available with respect to investees' operational and financing activities. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market rates. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined using an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying value and estimated fair value of long-term debt are as follows:

	August 31, 2021		August 31, 2020	
	Carrying value	Estimated fair value	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion) [1]	**4,550**	**5,263**	4,548	5,613

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

Risk management

The Company is exposed to various market risks including currency risk and interest rate risk, as well as credit risk and liquidity risk associated with financial assets and liabilities. The Company has designed and implemented various risk management strategies, discussed further below, to ensure the exposure to these risks is consistent with its risk tolerance and business objectives.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate as a result of changes in market prices, including foreign exchange and interest rates, the Company's share price and market price of publicly traded investments.

Currency risk

Certain of the Company's capital expenditures and operating costs are incurred in US dollars, while its revenue is primarily denominated in Canadian dollars. Decreases in the value of the Canadian dollar relative to the US dollar could have an adverse effect on the Company's cash flows. To mitigate some of the uncertainty in respect to capital expenditures and operating costs, the Company regularly enters into forward contracts in respect of US dollar commitments. With respect to 2021, the Company entered into forward contracts to purchase US $132 over a period of 12 months commencing in September 2020 at an average exchange rate of 1.3544 Cdn. At August 31, 2021 the Company had forward contracts to purchase US $132 over a period of 12 months commencing September 2021 at an average exchange rate of 1.2666 Cdn in respect of US dollar commitments.

Interest rate risk

Due to the capital-intensive nature of its operations, the Company utilizes long-term financing extensively in its capital structure. The primary components of this structure are an unsecured bank credit facility and various Canadian senior notes with varying maturities issued in the public markets as more fully described in Note 13. The Company also has an accounts receivable securitization program as described in Note 10.

Interest on the Company's unsecured bank credit facility and accounts receivable securitization program are based on floating rates, while the senior notes are fixed-rate obligations. When drawn, the Company utilizes its credit facility to finance day-to-day operations and, depending on market conditions, periodically converts the bank loans to fixed-rate instruments through public market debt issues. As at August 31, 2021, 100% of the Company's consolidated long-term debt was fixed with respect to interest rates.

Sensitivity analysis

The sensitivity to currency risk has been determined based on a hypothetical change in Canadian dollar to US dollar foreign exchange rates of 10%. Foreign exchange forward contracts would be impacted by this hypothetical change resulting in a change to other comprehensive income by $12 net of tax (2020 – $13). A portion of the Company's accounts receivables and accounts payable and accrued liabilities is denominated in US dollars; however, due to their short-term nature, there is no significant market risk arising from fluctuations in foreign exchange rates.

Interest on the Company's unsecured bank credit facility and accounts receivable securitization program are based on floating rates. As at August 31, 2021 there is no significant market risk arising from interest rate fluctuations within a reasonably contemplated range from their actual amounts.

At August 31, 2021, a one dollar change in the Company's Class B Shares would have had an impact on net income of $2 (August 31, 2020 – $1) in respect of the Company's DSU, RSU, and PSU plans.

Credit risk

Accounts receivable in respect of the Consumer, Business and Wireless divisions are not subject to any significant concentrations of credit risk due to the Company's large and diverse customer base. As at August 31, 2021, the Company had accounts receivable of $301 (August 31, 2020 – $268), net of the allowance for doubtful accounts of $78 (August 31, 2020 – $74). The Company maintains an allowance for doubtful accounts for the expected credit losses resulting from the inability of its customers to make required payments.

	2021 $	**2020 $**
Balance, beginning of period	**74**	63
Additions (doubtful accounts expense)	**25**	60
Net usage	**(21)**	(49)
Balance, end of period	**78**	74

In determining the allowance, the Company considers factors such as the number of days the customer account is past due, whether or not the customer continues to receive service, the Company's past collection history and changes in business circumstances. As at August 31, 2021, $124 (August 31, 2020 – $105) of accounts receivable is considered to be past due, defined as amounts outstanding past normal credit terms and conditions. Uncollectible accounts receivable are charged against the allowance account based on the age of the account and payment history. The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk.

The Company mitigates credit risk of subscriber receivables through advance billing and procedures to downgrade or suspend services on accounts that have exceeded agreed credit terms and routinely assesses the financial strength of its business customers through periodic review of payment practices.

Credit risks associated with US currency contracts arise from the inability of counterparties to meet the terms of the contracts. In the event of non-performance by the counterparties, the Company's accounting loss would be limited to the net amount that it would be entitled to receive under the contracts and agreements. In order to minimize the risk of counterparty default under its swap agreements, the Company assesses the creditworthiness of its swap counterparties.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting obligations associated with financial liabilities. The Company manages its liquidity risk by monitoring cash flow generated from operations, available borrowing capacity, and by managing the maturity profiles of its long-term debt.

The Company's undiscounted contractual maturities as at August 31, 2021 are as follows:

	Short-term borrowings	Accounts payable and accrued liabilities[1]	Long-term debt repayable at maturity	Leases (note 14)	Interest payments
Within one year	200	988	1	151	218
1 to 3 years	–	–	1,002	291	407
3 to 5 years	–	–	44	260	351
Over 5 years	–	–	3,550	894	1,757
	200	988	4,597	1,596	2,733

[1] Includes accrued interest and dividends of $210.

31. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	2021 $	2020 $
Net income from operations	**986**	688
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**1,221**	1,220
Deferred income tax expense (recovery)	**16**	59
Share-based compensation	**1**	2
Defined benefit pension plans	**2**	1
Fair value adjustments for private investments	**(27)**	–
Net change in contract asset balances	**47**	(14)
Loss (gain) on disposal of fixed assets and intangibles	**(3)**	3
Loss on write-down of assets	**–**	7
Other	**6**	23
Funds flow from operations	**2,249**	1,989

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	2021 $	2020 $
Interest paid	**265**	287
Income taxes paid (net of refunds)	**174**	134
Interest received	**4**	7

Included in interest paid is interest on lease liabilities of $45 for the year ended August 31, 2021 (2020 – $44).

(iii) Non-cash transactions

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	2021 $	2020 $
Issuance of Class B Shares:		
Dividend reinvestment plan (note 20)	–	37

32. CAPITAL STRUCTURE MANAGEMENT

The Company's objectives when managing capital are:

(i) to maintain a capital structure which optimizes the cost of capital, provides flexibility and diversity of funding sources and timing of debt maturities, and adequate anticipated liquidity for organic growth and strategic acquisitions;

(ii) to maintain compliance with debt covenants; and

(iii) to manage a strong and efficient capital base to maintain investor, creditor and market confidence.

The Company defines capital as comprising all components of shareholders' equity (other than non-controlling interests and amounts in accumulated other comprehensive income/loss), long-term debt (including the current portion thereof), lease liabilities (including the current portion thereof), short-term borrowings and bank indebtedness less cash.

	2021 $	2020 $
Cash	**(355)**	(763)
Short-term borrowings	**200**	200
Long-term debt repayable at maturity	**4,597**	4,599
Lease liabilities	**1,245**	1,270
Share capital	**4,199**	4,602
Contributed surplus	**27**	27
Retained earnings	**1,876**	1,703
	11,789	11,638

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of underlying assets. The Company may also from time to time change or adjust its objectives when managing capital in light of the Company's business circumstances, strategic opportunities, or the relative importance of competing objectives as determined by the Company. There is no assurance that the Company will be able to meet or maintain its currently stated objectives. Further, the terms of the Arrangement Agreement require the Company to obtain Rogers' consent prior to incurring certain types of indebtedness.

The Company's credit facilities are subject to covenants which include maintaining minimum or maximum financial ratios, including total debt to operating cash flow/adjusted earnings before interest, taxes, depreciation and amortization, and operating cash flow to fixed charges. At August 31, 2021, the Company was in compliance with these covenants and based on current business plans and economic conditions, the Company is not aware of any condition or event that would give rise to non-compliance with the covenants.

Other than the redemption of the Company's preferred shares as discussed in note 17, the Company's overall capital structure management strategy remains unchanged from the prior year.

Corporate Information

DIRECTORS

Bradley S. Shaw(4)
Executive Chair & Chief Executive Officer
Shaw Communications Inc.

Peter J. Bissonnette(2)
Corporate Director

Adrian I. Burns, LLD(2)(4)
Corporate Director

Hon. Christina J. Clark(3)
Corporate Director

Dr. Richard R. Green(1)
Corporate Director

Gregg Keating(3)
Chairman and Chief Executive Officer
Altimax Venture Capital

Michael W. O'Brien(1)(4)
Corporate Director

Paul K. Pew(3)(4)
Co-Founder and Co-CEO
G3 Capital Corp.

Jeffrey C. Royer(1)
Private Investor

Mike Sievert
President, Chief Executive Officer and Director of T-Mobile

Carl E. Vogel(1)(4)
Private Investor

Sheila C. Weatherill(3)
Corporate Director

Steven A. White(2)
President, Special Counsel to the CEO of Comcast Cable

(1) Audit Committee
(2) Human Resources and Compensation Committee
(3) Corporate Governance and Nominating Committee
(4) Executive Committee

SENIOR OFFICERS

Bradley S. Shaw
Executive Chair & Chief Executive Officer

Paul McAleese
President, Shaw Communications Inc.

Trevor English
Executive Vice President, Chief Financial & Corporate Development Officer

Zoran Stakic
Chief Operating Officer & Chief Technology Officer

Peter Johnson
Executive Vice President, Chief Legal and Regulatory Officer (Corporate Secretary)

Katherine Emberly
President, Business

Dan Markou
Executive Vice President, Chief People and Culture Officer

Paul Deverell
President, Consumer

CORPORATE OFFICE

Shaw Communications Inc.
Suite 900, 630 – 3rd Avenue S.W.
Calgary, Alberta
Canada T2P 4L4
Phone: (403) 750-4500
Website: *www.shaw.ca*

CORPORATE GOVERNANCE

Information concerning Shaw's corporate governance policies is contained in the Proxy Circular and is also available on Shaw's website, *www.shaw.ca.*

Information concerning Shaw's compliance with the corporate governance listing standards of the New York Stock Exchange is available in the Investor Relations section on Shaw's website, *www.shaw.ca.*

INTERNET HOME PAGE

Shaw's Annual Report, Annual Information Form, Quarterly Reports, Press Releases and other relevant investor information are available electronically on the Internet at *www.shaw.ca.*

AUDITORS

Ernst & Young LLP

PRIMARY BANKER

The Toronto-Dominion Bank

TRANSFER AGENTS

TSX Trust Company
600, 333 – 7th Ave SW
Calgary, Alberta, T2P 2Z1
Phone: 1-800-387-0825

DEBENTURE TRUSTEE

Computershare Trust Company of Canada
100 University Avenue, 9th Floor
Toronto, Ontario, M5J 2Y1
Phone: 1-800-564-6253

FURTHER INFORMATION

Financial analysts, portfolio managers, other investors and interested parties may contact the Company at (403) 750-4500 or visit Shaw's website at *www.shaw.ca* for further information.

To receive additional copies of this Annual Report, please fax your request to (403) 750-7469 or email *investor.relations@sjrb.ca.*

This is Exhibit 32 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**February 28, 2019**	August 31, 2018 (restated, note 2)	September 1, 2017 (restated, note 2)
ASSETS			
Current			
Cash	**1,288**	384	507
Accounts receivable	**276**	253	286
Inventories	**74**	61	59
Other current assets *[note 5]*	**332**	273	179
Current portion of contract assets *[note 4]*	**74**	59	15
Assets held for sale	**–**	–	61
	2,044	1,030	1,107
Investments and other assets *[notes 14 and 15]*	**676**	660	937
Property, plant and equipment	**4,747**	4,702	4,394
Other long-term assets *[note 14]*	**172**	197	216
Deferred income tax assets	**5**	4	4
Intangibles	**7,469**	7,482	7,435
Goodwill	**280**	280	280
Contract assets *[note 4]*	**71**	76	44
	15,464	14,431	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Short-term borrowings *[note 6]*	**40**	40	–
Accounts payable and accrued liabilities	**931**	970	909
Provisions *[note 7]*	**234**	245	76
Income taxes payable	**114**	133	151
Current portion of contract liabilities *[note 4]*	**218**	226	214
Current portion of long-term debt *[notes 9 and 14]*	**1,251**	1	2
Liabilities held for sale	**–**	–	39
	2,788	1,615	1,391
Long-term debt *[notes 9 and 14]*	**4,055**	4,310	4,298
Other long-term liabilities	**21**	13	114
Provisions *[note 7]*	**96**	179	67
Deferred credits	**435**	442	469
Contract liabilities *[note 4]*	**16**	18	21
Deferred income tax liabilities	**1,924**	1,884	1,863
	9,335	8,461	8,223
Shareholders' equity *[notes 10 and 12]*			
Common and preferred shareholders	**6,128**	5,969	6,193
Non-controlling interests in subsidiaries	**1**	1	1
	6,129	5,970	6,194
	15,464	14,431	14,417

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

(millions of Canadian dollars)	Three months ended February 28, **2019**	Three months ended February 28, 2018 (restated, note 2)	Six months ended February 28, **2019**	Six months ended February 28, 2018 (restated, note 2)
Revenue *[notes 3 and 4]*	**1,316**	1,329	**2,671**	2,574
Operating, general and administrative expenses *[note 8]*	**(767)**	(846)	**(1,577)**	(1,611)
Restructuring costs *[notes 7 and 8]*	**–**	(417)	**(1)**	(417)
Amortization:				
Deferred equipment revenue	**5**	8	**11**	17
Deferred equipment costs	**(21)**	(28)	**(45)**	(58)
Property, plant and equipment, intangibles and other	**(248)**	(234)	**(492)**	(473)
Operating income (loss) from continuing operations	**285**	(188)	**567**	32
Amortization of financing costs – long-term debt	**–**	(1)	**(1)**	(2)
Interest expense	**(68)**	(63)	**(130)**	(124)
Equity income of an associate or joint venture *[note 15]*	**3**	16	**26**	46
Other gains	**(4)**	1	**(5)**	5
Income (loss) from continuing operations before income taxes	**216**	(235)	**457**	(43)
Current income tax expense *[note 3]*	**42**	42	**77**	78
Deferred income tax expense	**19**	(102)	**39**	(63)
Net income (loss) from continuing operations	**155**	(175)	**341**	(58)
Loss from discontinued operations, net of tax	**–**	–	**–**	(6)
Net income (loss)	**155**	(175)	**341**	(64)
Net income (loss) from continuing operations attributable to:				
Equity shareholders	**155**	(175)	**341**	(58)
Loss from discontinued operations attributable to:				
Equity shareholders	**–**	–	**–**	(6)
Basic earnings (loss) per share *[note 11]*				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations	**–**	–	**–**	(0.01)
	0.30	(0.35)	**0.66**	(0.13)
Diluted earnings (loss) per share *[note 11]*				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations	**–**	–	**–**	(0.01)
	0.30	(0.35)	**0.66**	(0.13)

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended February 28, **2019**	Three months ended February 28, 2018 (restated, note 2)	Six months ended February 28, **2019**	Six months ended February 28, 2018 (restated, note 2)
Net income (loss)	**155**	(175)	**341**	(64)
Other comprehensive income (loss) *[note 12]*				
Items that may subsequently be reclassified to income:				
Continuing operations:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**–**	(1)	**1**	3
Adjustment for hedged items recognized in the period	**(1)**	1	**(1)**	2
Share of other comprehensive income (loss) of associates	**(7)**	6	**(6)**	5
	(8)	6	**(6)**	10
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans:				
Continuing operations	**(9)**	74	**–**	63
	(17)	80	**(6)**	73
Comprehensive income (loss)	**138**	(95)	**335**	9
Comprehensive income (loss) attributable to:				
Equity shareholders	**138**	(95)	**335**	9

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Six months ended February 28, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
September 1, 2018, as previously reported	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**
Transition adjustments - IFRS 15 *[note 2]*	**–**	**–**	**22**	**–**	**22**	**–**	**22**
Restated balance at September 1, 2018	**4,349**	**27**	**1,641**	**(39)**	**5,978**	**1**	**5,979**
Change in accounting policy adjustments *[note 2]*	**–**	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Restated balance as at September 1, 2018	**4,349**	**27**	**1,632**	**(39)**	**5,969**	**1**	**5,970**
Net income	**–**	**–**	**341**	**–**	**341**	**–**	**341**
Other comprehensive income	**–**	**–**	**–**	**(6)**	**(6)**	**–**	**(6)**
Comprehensive income	**–**	**–**	**341**	**(6)**	**335**	**–**	**335**
Dividends	**–**	**–**	**(200)**	**–**	**(200)**	**–**	**(200)**
Dividend reinvestment plan	**107**	**–**	**(107)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**26**	**(4)**	**–**	**–**	**22**	**–**	**22**
Share-based compensation	**–**	**2**	**–**	**–**	**2**	**–**	**2**
Balance as at February 28, 2019	**4,482**	**25**	**1,666**	**(45)**	**6,128**	**1**	**6,129**

Six months ended February 28, 2018

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
September 1, 2017, as previously reported	4,090	30	2,164	(131)	6,153	1	6,154
Transition adjustments - IFRS 15 *[note 2]*	–	–	40	–	40	–	40
Restated balance as at September 1, 2017	4,090	30	2,204	(131)	6,193	1	6,194
Net income (loss) *[restated, note 2]*	–	–	(64)	–	(64)	–	(64)
Other comprehensive income	–	–	–	73	73	–	73
Comprehensive income (loss)	–	–	(64)	73	9	–	9
Dividends	–	–	(196)	–	(196)	–	(196)
Dividend reinvestment plan	106	–	(106)	–	–	–	–
Shares issued under stock option plan	31	(4)	–	–	27	–	27
Share-based compensation	–	2	–	–	2	–	2
Restated balance as at February 28, 2018	4,227	28	1,838	(58)	6,035	1	6,036

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended February 28, **2019**	2018 (restated, note 2)	Six months ended February 28, **2019**	2018 (restated, note 2)
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 13]*	**444**	(49)	**883**	318
Net change in non-cash balances related to continuing operations	**(64)**	253	**(168)**	254
Operating activities of discontinued operations	**–**	–	**–**	(2)
	380	204	**715**	570
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(220)**	(263)	**(556)**	(582)
Additions to equipment costs (net) *[note 3]*	**(10)**	(10)	**(19)**	(26)
Additions to other intangibles *[note 3]*	**(19)**	(21)	**(53)**	(56)
Net (additions) reductions to inventories	**30**	(17)	**(14)**	(46)
Proceeds on sale of discontinued operations, net of cash sold	**–**	–	**–**	18
Net additions to investments and other assets	**3**	19	**3**	42
Proceeds on disposal of property, plant and equipment	**13**	1	**13**	8
	(203)	(291)	**(626)**	(642)
FINANCING ACTIVITIES				
Increase in long-term debt	**–**	10	**1,000**	10
Bank facility arrangement costs	**–**	–	**(9)**	–
Issue of Class B Non-Voting Shares *[note 10]*	**21**	6	**23**	27
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(97)**	(94)	**(195)**	(190)
Dividends paid on Preferred Shares	**(2)**	(2)	**(4)**	(4)
	(78)	(80)	**815**	(157)
Increase (decrease) in cash	**99**	(167)	**904**	(229)
Cash, beginning of the period	**1,189**	445	**384**	507
Cash of continuing operations, end of the period	**1,288**	278	**1,288**	278

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three months ended February 28, 2019 were authorized for issue by the Audit Committee on April 8, 2019.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2018.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:
  (1) identify the contract(s) with a customer;
  (2) identify the performance obligations in the contract;
  (3) determine the transaction price;
  (4) allocate the transaction price to the performance obligations in the contract; and,

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company's financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the interim consolidated financial statements as at and for the three and six months ended February 28, 2019, the comparative information presented for the three and six months ended February 28, 2018, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;
- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in note 2(f) - “Transition adjustments” for the three and six months ended February 28, 2018, are as follows:

		Three months ended February 28, 2018			Six months ended February 28, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent transition**	**As reported**	**Effect of transition**	**Subsequent transition**
Revenue	i.	1,355	(26)	1,329	2,604	(30)	2,574
Operating, general and administrative expenses	ii.	(854)	8	(846)	(1,622)	11	(1,611)
Other revenue (expense)		(2)	3	1	2	3	5
Income tax expense (recovery)		(53)	(6)	(59)	24	(7)	17
Net income from continuing operations		(164)	(9)	(173)	(50)	(9)	(59)

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the three and six months ended February 28, 2018, are as follows:

	Three months ended February 28, 2018			Six months ended February 28, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent transition**	**As reported**	**Effect of transition**	**Subsequent transition**
Services						
Wireline - Consumer	926	–	926	1,861	–	1,861
Wireline - Business	140	–	140	280	–	280
Wireless	142	(8)	134	273	(12)	261
	1,208	(8)	1,200	2,414	(12)	2,402
Equipment and other						
Wireless	148	(18)	130	192	(18)	174
	148	(18)	130	192	(18)	174
Intersegment eliminations	(1)	–	(1)	(2)	–	(2)
Total revenue	1,355	(26)	1,329	2,604	(30)	2,574

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Financial Position as disclosed in note 2(f) - "Transition adjustments" as at September 1, 2017 and August 31, 2018 are as follows:

		As at September 1, 2017			As at August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.	–	15	15	–	59	59
Other current assets	ii.	155	24	179	286	(13)	273
Contract assets	i.	–	44	44	–	76	76
Other long-term assets	ii.	255	(39)	216	300	(102)	198
Accounts payable and accrued liabilities	i.	913	(4)	909	971	(1)	970
Unearned revenue	i.	211	(211)	–	221	(221)	–
Current portion of contract liabilities	i.	–	214	214	–	226	226
Deferred credits	i.	490	(21)	469	460	(18)	442
Deferred income tax liabilities	ii.	1,858	5	1,863	1,894	(6)	1,888
Contract liabilities	i.	–	21	21	–	18	18
Shareholders' equity		6,154	40	6,194	5,957	22	5,979

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to note 2(f) "Transition adjustments" for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

- IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in note 2(f) below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

- Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL
- Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition
- Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Standards and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncement is being assessed to determine their impact on the Company's results and financial position.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  This new standard is described in our 2018 consolidated financial statements. We continue to assess the impact of this standard on our consolidated financial statements and we are progressing with the implementation of this standard. As at the date of these interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in our 2018 financial statements. We intend to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 annual audited consolidated financial statements.

d) Discontinued operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the condensed interim consolidated financial statements and the notes to the condensed interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to the Company's consolidated financial statements for the year ended August 31, 2018 for further information regarding the Company's discontinued operations.

e) Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property, plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to note 2(f) - "Transition adjustments" below for the impact of this change of accounting policy on previously reported consolidated Statements of Financial Position, consolidated Statements of Income and consolidated Statements of Cash Flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

f) Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statements of Income for the three and six months ended February 28, 2018.

	Three months ended February 28, 2018				Six months ended February 28, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	1,355	(26)	–	1,329	2,604	(30)	–	2,574
Operating, general and administrative expenses	(854)	8	–	(846)	(1,622)	11	–	(1,611)
Restructuring costs	(417)	–	–	(417)	(417)	–	–	(417)
Amortization:				–				–
Deferred equipment revenue	8	–	–	8	17	–	–	17
Deferred equipment costs	(28)	–	–	(28)	(58)	–	–	(58)
Property, plant and equipment, intangibles and other	(231)	–	(3)	(234)	(466)	–	(7)	(473)
Operating income from continuing operations	(167)	(18)	(3)	(188)	58	(19)	(7)	32
Amortization of financing costs – long-term debt	(1)	–	–	(1)	(2)	–	–	(2)
Interest expense	(63)	–	–	(63)	(124)	–	–	(124)
Equity income of an associate or joint venture	16	–	–	16	46	–	–	46
Other revenue (expense)	(2)	3	–	1	2	3	–	5
Income from continuing operations before income taxes	(217)	(15)	(3)	(235)	(20)	(16)	(7)	(43)
Current income tax expense	42	–	–	42	78	–	–	78
Deferred income tax expense	(95)	(6)	(1)	(102)	(54)	(7)	(2)	(63)
Net income from continuing operations	(164)	(9)	(2)	(175)	(44)	(9)	(5)	(58)
Loss from discontinued operations, net of tax	–	–	–	–	(6)	–	–	(6)
Net income	(164)	(9)	(2)	(175)	(50)	(9)	(5)	(64)
Net income from continuing operations attributable to:								
Equity shareholders	(164)	(9)	(2)	(175)	(44)	(9)	(5)	(58)
Loss from discontinued operations								
Equity shareholders	–	–	–	–	(6)	–	–	(6)
Basic earnings (loss) per share								
Continuing operations	(0.33)	–	–	(0.35)	(0.10)	–	–	(0.12)
Discontinued operations	-	–	–	-	(0.01)	–	–	(0.01)
	(0.33)	–	–	(0.35)	(0.11)	–	–	(0.13)
Diluted earnings (loss) per share								
Continuing operations	(0.33)	–	–	(0.35)	(0.10)	–	–	(0.12)
Discontinued operations	-	–	–	-	(0.01)	–	–	(0.01)
	(0.33)	–	–	(0.35)	(0.11)	–	–	(0.13)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Financial Position as at September 1, 2017 and August 31, 2018.

	As at September 1, 2017				As at August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
ASSETS								
Current								
Cash	507	–	–	507	384	–	–	384
Accounts receivable	286	–	–	286	255	–	(2)	253
Inventories	109	–	(50)	59	101	–	(40)	61
Other current assets	155	24	–	179	286	(13)	–	273
Current portion of contract assets	–	15	–	15	–	59	–	59
Assets held for sale	61	–	–	61	–	–	–	–
	1,118	39	(50)	1,107	1,026	46	(42)	1,030
Investments and other assets	937	–	–	937	660	–	–	660
Property, plant and equipment	4,344	–	50	4,394	4,672	–	30	4,702
Other long-term assets	255	(39)	–	216	300	(102)	(1)	197
Deferred income tax assets	4	–	–	4	4	–	–	4
Intangibles	7,435	–	–	7,435	7,482	–	–	7,482
Goodwill	280	–	–	280	280	–	–	280
Contract assets	–	44	–	44	–	76	–	76
	14,373	44	–	14,417	14,424	20	(13)	14,431
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current								
Short-term borrowings	–	–	–	–	40	–	–	40
Accounts payable and accrued liabilities	913	(4)	–	909	971	(1)	–	970
Provisions	76	–	–	76	245	–	–	245
Income taxes payable	151	–	–	151	133	–	–	133
Unearned revenue	211	(211)	–	-	221	(221)	–	–
Current portion of contract liabilities	–	214	–	214	–	226	–	226
Current portion of long-term debt	2	–	–	2	1	–	–	1
Liabilities held for sale	39	–	–	39	–	–	–	–
	1,392	(1)	–	1,391	1,611	4	–	1,615
Long-term debt	4,298	–	–	4,298	4,310	–	–	4,310
Other long-term liabilities	114	–	–	114	13	–	–	13
Provisions	67	–	–	67	179	–	–	179
Deferred credits	490	(21)	–	469	460	(18)	–	442
Contract liabilities	–	21	–	21	–	18	–	18
Deferred income tax liabilities	1,858	5	–	1,863	1,894	(6)	(4)	1,884
	8,219	4	–	8,223	8,467	(2)	(4)	8,461
Shareholders' equity								
Common and preferred shareholders	6,153	40	–	6,193	5,956	22	(9)	5,969
Non-controlling interests in subsidiaries	1	–	–	1	1	–	–	1
	6,154	40	–	6,194	5,957	22	(9)	5,970
	14,373	44	–	14,417	14,424	20	(13)	14,431

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Cash Flows for the three and six months ended February 28, 2018.

	Three months ended February 28, 2018				Six months ended February 28, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
OPERATING ACTIVITIES								
Funds flow from continuing operations	(26)	(23)	–	(49)	358	(40)	–	318
Net change in non-cash balances related to continuing operations	229	23	1	253	212	40	2	254
Operating activities of discontinued operations	–	–	–	–	(2)	–	–	(2)
	203	–	1	204	568	–	2	570
INVESTING ACTIVITIES								
Additions to property, plant and equipment	(270)	–	7	(263)	(602)	–	20	(582)
Additions to equipment costs (net)	(10)	–	–	(10)	(26)	–	–	(26)
Additions to other intangibles	(21)	–	–	(21)	(56)	–	–	(56)
Net additions (reductions) to inventories	(9)	–	(8)	(17)	(24)	–	(22)	(46)
Proceeds on sale of discontinued operations, net of cash sold	–	–	–	–	18	–	–	18
Net additions to investments and other assets	19	–	–	19	42	–	–	42
Proceeds on disposal of property, plant and equipment	1	–	–	1	8	–	–	8
	(290)	–	(1)	(291)	(640)	–	(2)	(642)
FINANCING ACTIVITIES								
Increase in long-term debt	10	–	–	10	10			10
Issue of Class B Non-Voting Shares	6	–	–	6	27	–	–	27
Dividends paid on Class A Shares and Class B Non-Voting Shares	(94)	–	–	(94)	(190)	–	–	(190)
Dividends paid on Preferred Shares	(2)	–	–	(2)	(4)	–	–	(4)
	(80)	–	–	(80)	(157)	–	–	(157)
Increase (decrease) in cash	(167)	–	–	(167)	(229)	–	–	(229)
Cash, beginning of the period	445	–	–	445	507	–	–	507
Cash of continuing operations, end of the period	**278**	**–**	**–**	**278**	**278**	**–**	**–**	**278**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments which are comprised of Wireline and Wireless. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Revenue				
Wireline	**1,071**	1,066	**2,154**	2,141
Wireless	**247**	264	**520**	435
	1,318	1,330	**2,674**	2,576
Intersegment eliminations	**(2)**	(1)	**(3)**	(2)
	1,316	1,329	**2,671**	2,574
Operating income before restructuring costs and amortization				
Wireline	**497**	465	**997**	912
Wireless	**52**	18	**97**	51
	549	483	**1,094**	963
Restructuring costs	**–**	(417)	**(1)**	(417)
Amortization	**(264)**	(254)	**(526)**	(514)
Operating income	**285**	(188)	**567**	32
Current taxes				
Operating	**35**	43	**70**	87
Other/non-operating	**7**	(1)	**7**	(9)
	42	42	**77**	78

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Capital expenditures accrual basis				
Wireline	**185**	213	**380**	418
Wireless	**84**	56	**150**	173
	269	269	**530**	591
Equipment costs (net of revenue)				
Wireline	**10**	12	**20**	30
Capital expenditures and equipment costs (net)				
Wireline	**195**	225	**400**	448
Wireless	**84**	56	**150**	173
	279	281	**550**	621
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**220**	263	**556**	582
Additions to equipment costs (net)	**10**	10	**19**	26
Additions to other intangibles	**19**	21	**53**	56
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**249**	294	**628**	664
Increase/decrease in working capital and other liabilities related to capital expenditures	**43**	(12)	**(66)**	(37)
Decrease in customer equipment financing receivables	**–**	1	**1**	2
Less: Proceeds on disposal of property, plant and equipment	**(13)**	(2)	**(13)**	(8)
Total capital expenditures and equipment costs (net) reported by segments	**279**	281	**550**	621

4. REVENUE

Significant accounting policies

The Company records revenue from contracts with customers in accordance with the following five steps in IFRS 15:
(1) identify the contract(s) with a customer;
(2) identify the performance obligations in the contract;
(3) determine the transaction price;
(4) allocate the transaction price to the performance obligations in the contract; and,
(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time (i.e. services) or at a point in time (i.e. equipment). For performance obligations satisfied over time, revenue is recognized as the services are provided. These services are typically provided, and recognized on a monthly basis. Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed.

For bundled arrangements (e.g. wireless handsets, and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Contract assets and liabilities
We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Deferred commission cost assets
We defer the incremental cost to obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them as deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Use of estimates and judgments

The application of IFRS 15 requires Shaw to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the costs we incur to obtain or fulfill a contract that meet the deferral criteria within IFRS 15 requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the period.

	Contract Assets	Contract Liabilities
Opening balance, as at September 1, 2018	135	244
Increase in contract assets from revenue recognized during the period	86	–
Contract assets transferred to trade receivables	(72)	–
Contract terminations transferred to trade receivables	(4)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(232)
Increase in contract liabilities during the period	–	222
Ending balance, as at February 28, 2019	145	234

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the six months ended February 28, 2019 and 2018. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

	Six months ended February 28,	
	2019	2018
Opening balance, as at September 1, 2018	**75**	57
Additions to deferred commission cost assets	**37**	31
Amortization recognized on deferred commission cost assets	**(31)**	(24)
Ending balance, as at February 28, 2019	**81**	64

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Services				
Wireline - Consumer	**923**	926	**1,859**	1,861
Wireline - Business	**148**	140	**295**	280
Wireless	**169**	134	**336**	261
	1,240	1,200	**2,490**	2,402
Equipment and other				
Wireless	**78**	130	**184**	174
	78	130	**184**	174
Intersegment eliminations	**(2)**	(1)	**(3)**	(2)
Total revenue	**1,316**	1,329	**2,671**	2,574

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at February 28, 2019.

	Within 1 year	**Within 2 years**	**Total**
Wireline	682	175	857
Wireless	318	127	445
Total	**1,000**	**302**	**1,302**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. OTHER CURRENT ASSETS

	February 28, 2019	August 31, 2018 (restated, note 2)
	$	$
Prepaid expenses	**122**	104
Costs incurred to obtain or fulfill a contract with a customer[1]	**53**	48
Wireless handset receivables[2]	**157**	121
	332	273

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018, these amounts relate to the current portion of wireless handset receivables.

6. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	February 28, 2019	August 31, 2018
	$	$
Trade accounts receivable sold to buyer as security	**436**	429
Short-term borrowings from buyer	**(40)**	(40)
Over-collateralization	**396**	389

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Accounts receivable securitization program, beginning of period	**40**	–	**40**	–
Proceeds received from accounts receivable securitization	–	–	–	–
Repayment of accounts receivable securitization	–	–	–	–
Accounts receivable securitization program, end of period	**40**	–	**40**	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [(1)] $	Other $	Total $
Balance as at September 1, 2018	67	276	81	424
Additions	**–**	**1**	**9**	**10**
Accretion	**4**	**–**	**–**	**4**
Reversal	**–**	**–**	**(2)**	**(2)**
Payments	**–**	**(80)**	**(26)**	**(106)**
Balance as at February 28, 2019	**71**	**197**	**62**	**330**
Current	–	166	79	245
Long-term	67	110	2	179
Balance as at September 1, 2018	67	276	81	424
Current	**–**	**172**	**62**	**234**
Long-term	**71**	**25**	**–**	**96**
Balance as at February 28, 2019	**71**	**197**	**62**	**330**

(1) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the third and fourth quarters made additional changes to its organizational structure as part of a total business transformation initiative. A total of $77 has been paid in fiscal 2019. The remaining costs are expected to be paid out within the next 23 months.

8. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Employee salaries and benefits[(1)]	**173**	598	**335**	794
Purchase of goods and services	**594**	665	**1,243**	1,234
	767	1,263	**1,578**	2,028

(1) For the three and six months ended February 28, 2019, employee salaries and benefits include nil (2018 - $402) and $1 (2018 - $402) in restructuring costs, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. LONG-TERM DEBT

		February 28, 2019			August 31, 2018		
	Effective interest rates	Long-term debt at amortized cost[(1)]	Adjustment for finance costs[(1)]	Long-term debt repayable at maturity	Long-term debt at amortized cost[(1)]	Adjustment for finance costs[(1)]	Long-term debt repayable at maturity
	%	$	$	$	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,249**	**1**	**1,250**	1,248	2	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	499	1	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	299	1	300
3.80% due November 2, 2023	3.80	**497**	**3**	**500**	–	–	–
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,420**	**30**	**1,450**	1,419	31	1,450
		5,256	**44**	**5,300**	4,261	39	4,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**–**	**50**	50	–	50
Total consolidated debt		**5,306**	**44**	**5,350**	4,311	39	4,350
Less current portion[(2)]		**1,251**	**1**	**1,252**	1	–	1
		4,055	**43**	**4,098**	4,310	39	4,349

(1) Long-term debt is presented net of unamortized discounts and finance costs.

(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On November 2, 2018, the Company issued $500 senior notes at a rate of 3.80% due November 2, 2023 and $500 senior notes at a rate of 4.40% due November 2, 2028.

On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023.

On December 4, 2018, the Company entered into new unsecured letter of credit facilities, under which letters of credit were issued in favour of and filed with Innovation, Science and Economic Development Canada ("ISED") to fulfill the pre-auction financial deposit requirement with respect to its application to participate in the 600 MHz spectrum auction to be held in March 2019. Under the terms of ISED's 600 Mhz auction, communications between bidders that would provide insights into bidding strategies, including references to preferred blocks, technologies or valuations are precluded until the public announcement of provisional licence winners by ISED. Disclosure of the precise amount of the letters of credit could be interpreted as a signal of bidding intentions.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. SHARE CAPITAL

Changes in share capital during the year ended February 28, 2019 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2018	22,420,064	2	484,194,344	4,054	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	–	–	1,138,711	26	–	–	–	–
Issued pursuant to dividend reinvestment	–	–	4,272,837	107	–	–	–	–
Class A conversions to Class B	(48,000)	–	48,000	–				
February 28, 2019	**22,372,064**	**2**	**489,653,892**	**4,187**	**10,012,393**	**245**	**1,987,607**	**48**

11. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share calculations are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Numerator for basic and diluted earnings (loss) per share ($)				
Net income (loss) from continuing operations	**155**	(175)	**341**	(58)
Deduct: dividends on Preferred Shares	**(2)**	(2)	**(4)**	(4)
Net income (loss) attributable to common shareholders from continuing operations	**153**	(177)	**337**	(62)
Loss from discontinued operations	**–**	–	**–**	(6)
Loss from discontinued operations attributable to common shareholders	**–**	–	**–**	(6)
Net income (loss) attributable to common shareholders	**153**	(177)	**337**	(68)
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**510**	500	**509**	499
Effect of dilutive securities [(1)]	**–**	1	**–**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**510**	501	**509**	500
Basic earnings (loss) per share ($)				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations	**–**	–	**–**	(0.01)
Attributable to common shareholders	**0.30**	(0.35)	**0.66**	(0.13)
Diluted earnings (loss) per share ($)				
Continuing operations	**0.30**	(0.35)	**0.66**	(0.12)
Discontinued operations	**–**	–	**–**	(0.01)
Attributable to common shareholders	**0.30**	(0.35)	**0.66**	(0.13)

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and six months ended February 28, 2019, 6,232,339 (2018 – 3,771,466) and 6,592,503 (2018 – 2,696,312) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2019 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	–	**1**
Adjustment for hedged items recognized in the period	**(1)**	–	**(1)**
Share of other comprehensive income of associates	**(6)**	–	**(6)**
	(6)	–	**(6)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	–	–	–
	(6)	–	**(6)**

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	4	(1)	3
Adjustment for hedged items recognized in the period	3	(1)	2
Share of other comprehensive income of associates	5	–	5
	12	(2)	10
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	86	(23)	63
	98	(25)	73

Accumulated other comprehensive loss is comprised of the following:

	February 28, 2019 $	August 31, 2018 $
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	–	–
Share of other comprehensive income of associates	**12**	18
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(57)**	(57)
	(45)	(39)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

13. STATEMENTS OF CASH FLOWS

Disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	Three months ended February 28,		Six months ended February 28,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Net income from continuing operations	**155**	(175)	**341**	(58)
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**264**	255	**527**	516
Deferred income tax expense	**19**	(102)	**39**	(63)
Share-based compensation	**1**	1	**2**	2
Defined benefit pension plans	**2**	4	**5**	8
Equity income of an associate or joint venture	**(3)**	(16)	**(26)**	(46)
Net change in contract asset balances	**–**	(16)	**(10)**	(41)
Other	**6**	–	**5**	–
Funds flow from continuing operations	**444**	(49)	**883**	318

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Interest paid	**24**	28	**111**	117
Income taxes paid (net of refunds)	**45**	51	**97**	164
Interest received	**2**	1	**3**	2

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Issuance of Class B Non-Voting Shares:				
Dividend reinvestment plan	**54**	54	**107**	106

14. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of long-term debt and a contingent liability are as follows:

	February 28, 2019		August 31, 2018	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
	$	**$**	$	$
Liabilities				
Long-term debt (including current portion)(1)	**5,306**	**5,801**	4,311	4,788

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

15. INVESTMENTS AND OTHER ASSETS

Corus Entertainment Inc.

At February 28, 2019, the Company owned 80,630,383 (2018 – 80,630,383) Corus Class B shares having a market value of $484 (2018 - $645) and representing 38% (2018 – 39%) of Corus' total issued equity of Class A and Class B shares. The Company's weighted average ownership of Corus for the six months ended February 28, 2019 was 38% (2018 – 39%). For the three and six months ended February 28, 2019, the Company received dividends of $5 (2018 - $23) and $5 (2018 - $46) from Corus, respectively.

	February 28, 2019	August 31, 2018
Current assets	**529**	508
Non-current assets	**4,341**	4,375
Current liabilities	**(544)**	(523)
Non-current liabilities	**(2,615)**	(2,683)
Net assets	**1,711**	1,677
Less: non-controlling interests	**(151)**	(154)
	1,560	1,523
Carrying amount of the investment less accumulated impairment losses	**629**	615

Summary financial information for Corus and reconciliation with the carrying amount of the investment in the unaudited interim condensed consolidated balance sheets is as follows:

Summarized statement of earnings of Corus:

	Three months ended February 28,		Six months ended February 28,	
	2019	2018	**2019**	2018
Revenue	**384**	369	**852**	827
Net income attributable to:				
Shareholders	**6**	40	**67**	118
Non-controlling interest	**5**	6	**12**	13
	11	46	**79**	131
Other comprehensive income (loss), attributable to shareholders	**(18)**	16	**(16)**	13
Comprehensive income	**(7)**	62	**63**	144
Equity income from associates[1]	**3**	16	**26**	46
Other comprehensive income (loss) from equity accounted associates[1]	**(7)**	6	**(6)**	5
	(4)	22	**20**	51

(1) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the three and six month periods ended February 28, 2019 and 2018.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 28, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

16. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2019 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2019 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2019 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2019 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2019 do not represent events or changes in circumstance that would be indicative of impairment at February 28, 2019.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2019, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	6.5%	1.5%	7.4X
Satellite	7.5%	-3.0%	5.4X
Wireless	9.3%	1.0%	4.5X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	16.4%	14.2%	4.8%
Satellite	8.1%	9.7%	5.6%
Wireless	15.2%	7.7%	8.0%

This is Exhibit 33 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**November 30, 2018**	August 31, 2018 (restated, note 2)	September 1, 2017 (restated, note 2)
ASSETS			
Current			
Cash	**1,189**	384	507
Accounts receivable	**256**	253	286
Inventories	**104**	61	59
Other current assets *[note 5]*	**336**	273	179
Current portion of contract assets *[note 4]*	**68**	59	15
Assets held for sale	**–**	–	61
	1,953	1,030	1,107
Investments and other assets *[notes 14 and 15]*	**684**	660	937
Property, plant and equipment	**4,717**	4,702	4,394
Other long-term assets *[note 14]*	**186**	197	216
Deferred income tax assets	**5**	4	4
Intangibles	**7,483**	7,482	7,435
Goodwill	**280**	280	280
Contract assets *[note 4]*	**76**	76	44
	15,384	14,431	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Short-term borrowings *[note 6]*	**40**	40	–
Accounts payable and accrued liabilities	**856**	970	909
Provisions *[note 7]*	**274**	245	76
Income taxes payable	**118**	133	151
Current portion of contract liabilities *[note 4]*	**222**	226	214
Current portion of long-term debt *[notes 9 and 14]*	**1,251**	1	2
Liabilities held for sale	**–**	–	39
	2,761	1,615	1,391
Long-term debt *[notes 9 and 14]*	**4,054**	4,310	4,298
Other long-term liabilities	**4**	13	114
Provisions *[note 7]*	**132**	179	67
Deferred credits	**438**	442	469
Contract liabilities *[note 4]*	**17**	18	21
Deferred income tax liabilities	**1,909**	1,884	1,863
	9,315	8,461	8,223
Shareholders' equity *[notes 10 and 12]*			
Common and preferred shareholders	**6,068**	5,969	6,193
Non-controlling interests in subsidiaries	**1**	1	1
	6,069	5,970	6,194
	15,384	14,431	14,417

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended November 30, 2018	2017 (restated, note 2)
Revenue *[notes 3 and 4]*	**1,355**	1,245
Operating, general and administrative expenses *[note 8]*	**(810)**	(765)
Restructuring costs *[notes 7 and 8]*	**(1)**	–
Amortization:		
Deferred equipment revenue	**6**	9
Deferred equipment costs	**(24)**	(30)
Property, plant and equipment, intangibles and other	**(244)**	(239)
Operating income from continuing operations	**282**	220
Amortization of financing costs – long-term debt	**(1)**	(1)
Interest expense	**(62)**	(61)
Equity income of an associate or joint venture *[note 15]*	**23**	30
Other gains	**–**	4
Income from continuing operations before income taxes	**242**	192
Current income tax expense *[note 3]*	**35**	36
Deferred income tax expense	**20**	39
Net income from continuing operations	**187**	117
Loss from discontinued operations, net of tax	**–**	(6)
Net income	**187**	111
Net income from continuing operations attributable to:		
Equity shareholders	**187**	117
Loss from discontinued operations attributable to:		
Equity shareholders	**–**	(6)
Basic earnings (loss) per share *[note 11]*		
Continuing operations	**0.36**	0.23
Discontinued operations	**–**	(0.01)
	0.36	0.22
Diluted earnings (loss) per share *[note 11]*		
Continuing operations	**0.36**	0.23
Discontinued operations	**–**	(0.01)
	0.36	0.22

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended November 30, 2018	2017 (restated, note 2)
Net income	**187**	111
Other comprehensive income *[note 12]*		
Items that may subsequently be reclassified to income:		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	5
Adjustment for hedged items recognized in the period	**–**	1
Share of other comprehensive income (loss) of associates	**1**	(1)
	2	5
Items that will not subsequently be reclassified to income:		
Remeasurements on employee benefit plans:		
Continuing operations	**9**	(11)
	11	(6)
Comprehensive income	**198**	105
Comprehensive income attributable to:		
Equity shareholders	**198**	105

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Three months ended November 30, 2018

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2018, as previously reported	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**
Transition adjustments - IFRS 15 *[note 2]*	**–**	**–**	**22**	**–**	**22**	**–**	**22**
Restated balance at September 1, 2018	**4,349**	**27**	**1,641**	**(39)**	**5,978**	**1**	**5,979**
Change in accounting policy adjustments *[note 2]*	**–**	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Restated balance as at September 1, 2018	**4,349**	**27**	**1,632**	**(39)**	**5,969**	**1**	**5,970**
Net income	**–**	**–**	**187**	**–**	**187**	**–**	**187**
Other comprehensive income	**–**	**–**	**–**	**11**	**11**	**–**	**11**
Comprehensive income	**–**	**–**	**187**	**11**	**198**	**–**	**198**
Dividends	**–**	**–**	**(102)**	**–**	**(102)**	**–**	**(102)**
Dividend reinvestment plan	**53**	**–**	**(53)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**2**	**–**	**–**	**–**	**2**	**–**	**2**
Share-based compensation	**–**	**1**	**–**	**–**	**1**	**–**	**1**
Balance as at November 30, 2018	**4,404**	**28**	**1,664**	**(28)**	**6,068**	**1**	**6,069**

Three months ended November 30, 2017

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
September 1, 2017, as previously reported	4,090	30	2,164	(131)	6,153	1	6,154
Transition adjustments - IFRS 15 *[note 2]*	–	–	40	–	40	–	40
Restated balance as at September 1, 2017	4,090	30	2,204	(131)	6,193	1	6,194
Net income *[restated, note 2]*	–	–	111	–	111	–	111
Other comprehensive income	–	–	–	(6)	(6)	–	(6)
Comprehensive income	–	–	111	(6)	105	–	105
Dividends	–	–	(98)	–	(98)	–	(98)
Dividend reinvestment plan	52	–	(52)	–	–	–	–
Shares issued under stock option plan	25	(5)	–	–	20	–	20
Share-based compensation	–	1	–	–	1	–	1
Restated balance as at November 30, 2017	4,167	26	2,165	(137)	6,221	1	6,222

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended November 30, 2018	2017 (restated, note 2)
OPERATING ACTIVITIES		
Funds flow from continuing operations *[note 13]*	**439**	367
Net change in non-cash balances related to continuing operations	**(104)**	1
Operating activities of discontinued operations	**–**	(2)
	335	366
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 3]*	**(336)**	(318)
Additions to equipment costs (net) *[note 3]*	**(9)**	(16)
Additions to other intangibles *[note 3]*	**(34)**	(35)
Net (additions) reductions to inventories	**(44)**	(30)
Proceeds on sale of discontinued operations, net of cash sold	**–**	18
Net additions to investments and other assets	**–**	23
Proceeds on disposal of property, plant and equipment	**–**	7
	(423)	(351)
FINANCING ACTIVITIES		
Increase in long-term debt	**993**	–
Bank facility arrangement costs	**(2)**	–
Issue of Class B Non-Voting Shares *[note 10]*	**2**	21
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(98)**	(96)
Dividends paid on Preferred Shares	**(2)**	(2)
	893	(77)
Increase (decrease) in cash	**805**	(62)
Cash, beginning of the period	**384**	507
Cash of continuing operations, end of the period	**1,189**	445

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three months ended November 30, 2018 were authorized for issue by the Audit Committee on January 13, 2019.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2018.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:
  (1) identify the contract(s) with a customer;
  (2) identify the performance obligations in the contract;
  (3) determine the transaction price;
  (4) allocate the transaction price to the performance obligations in the contract; and,
  (5) recognize revenue when (or as) the entity satisfies a performance obligation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company's financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we must make judgments in respect of the new standard. We must make judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the interim consolidated financial statements as at and for the three months ended November 30, 2018, the comparative information presented for the three months ended November 30, 2017, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;
- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in note 2(f) - "Transition adjustments" for the three months ended November 30, 2017 are as follows:

		Three months ended November 30, 2017		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**
Revenue	i.	1,249	(4)	1,245
Operating, general and administrative expenses	ii.	(768)	3	(765)
Income tax expense		77	(1)	76
Net income from continuing operations		120	–	120

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the three months ended November 30, 2017 are as follows:

	Three months ended November 30, 2017		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent to transition**
Services			
Wireline - Consumer	935	–	935
Wireline - Business	140	–	140
Wireless	131	(4)	127
	1,206	(4)	1,202
Equipment and other			
Wireless	44	–	44
	44	–	44
Intersegment eliminations	(1)	–	(1)
Total revenue	1,249	(4)	1,245

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Financial Position as disclosed in note 2(f) - "Transition adjustments" as at September 1, 2017 and August 31, 2018 are as follows:

		As at September 1, 2017			As at August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.	–	15	15	–	59	59
Other current assets	ii.	155	24	179	286	(13)	273
Contract assets	i.	–	44	44	–	76	76
Other long-term assets	ii.	255	(39)	216	300	(102)	198
Accounts payable and accrued liabilities	i.	913	(4)	909	971	(1)	970
Unearned revenue	i.	211	(211)	–	221	(221)	–
Current portion of contract liabilities	i.	–	214	214	–	226	226
Deferred credits	i.	490	(21)	469	460	(18)	442
Deferred income tax liabilities	ii.	1,858	5	1,863	1,894	(6)	1,888
Contract liabilities	i.	–	21	21	–	18	18
Shareholders' equity		6,154	40	6,194	5,957	22	5,979

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to note 2(f) "Transition adjustments" for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

- IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in note 2(f) below.

  IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

- Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL
- Other financial assets classified as available-for-sale and measured at FVOCI under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVOCI
- Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition
- Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Standards and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncement is being assessed to determine their impact on the Company's results and financial position.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  This new standard is described in our 2018 consolidated financial statements. We continue to assess the impact of this standard on our consolidated financial statements and we are progressing with the implementation of this standard. As at the date of these interim financial statements, there have been no significant changes to the disclosure related to the implementation of this standard that was included in our 2018 financial statements. We intend to disclose the estimated financial effects of the adoption of IFRS 16 in our 2019 annual audited consolidated financial statements.

d) Discontinued operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the condensed interim consolidated financial statements and the notes to the condensed interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to the Company's consolidated financial statements for the year ended August 31, 2018 for further information regarding the Company's discontinued operations.

e) Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property, plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to note 2(f) - "Transition adjustments" below for the impact of this change of accounting policy on previously reported consolidated Statements of Financial Position, consolidated Statements of Income and consolidated Statements of Cash Flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

f) Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statements of Income for the three months ended November 30, 2017.

	Three months ended November 30, 2017			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	1,249	(4)	–	1,245
Operating, general and administrative expenses	(768)	3	–	(765)
Restructuring costs	–	–	–	–
Amortization:				–
Deferred equipment revenue	9	–	–	9
Deferred equipment costs	(30)	–	–	(30)
Property, plant and equipment, intangibles and other	(235)	–	(4)	(239)
Operating income from continuing operations	225	(1)	(4)	220
Amortization of financing costs – long-term debt	(1)	–	–	(1)
Interest expense	(61)	–	–	(61)
Equity income of an associate or joint venture	30	–	–	30
Other gains	4	–	–	4
Income from continuing operations before income taxes	197	(1)	(4)	192
Current income tax expense	36	–	–	36
Deferred income tax expense	41	(1)	(1)	39
Net income from continuing operations	120	–	(3)	117
Loss from discontinued operations, net of tax	(6)	–	–	(6)
Net income	114	–	(3)	111
Net income from continuing operations attributable to:				
Equity shareholders	120	–	(3)	117
Loss from discontinued operations attributable to:				
Equity shareholders	(6)	–	–	(6)
Basic earnings (loss) per share				
Continuing operations	0.23	–	–	0.23
Discontinued operations	(0.01)	–	–	(0.01)
	0.22	–	–	0.22
Diluted earnings (loss) per share				
Continuing operations	0.23	–	–	0.23
Discontinued operations	(0.01)	–	–	(0.01)
	0.22	–	–	0.22

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Financial Position as at September 1, 2017.

	As at September 1, 2017			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
ASSETS				
Current				
Cash	507	–	–	507
Accounts receivable	286	–	–	286
Inventories	109	–	(50)	59
Other current assets	155	24	–	179
Current portion of contract assets	–	15	–	15
Assets held for sale	61	–	–	61
	1,118	39	(50)	1,107
Investments and other assets	937	–	–	937
Property, plant and equipment	4,344	–	50	4,394
Other long-term assets	255	(39)	–	216
Deferred income tax assets	4	–	–	4
Intangibles	7,435	–	–	7,435
Goodwill	280	–	–	280
Contract assets	–	44	–	44
	14,373	44	–	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	–	–	–	–
Accounts payable and accrued liabilities	913	(4)	–	909
Provisions	76	–	–	76
Income taxes payable	151	–	–	151
Unearned revenue	211	(211)	–	-
Current portion of contract liabilities	–	214	–	214
Current portion of long-term debt	2	–	–	2
Liabilities held for sale	39	–	–	39
	1,392	(1)	–	1,391
Long-term debt	4,298	–	–	4,298
Other long-term liabilities	114	–	–	114
Provisions	67	–	–	67
Deferred credits	490	(21)	–	469
Contract liabilities	–	21	–	21
Deferred income tax liabilities	1,858	5	–	1,863
	8,219	4	–	8,223
Shareholders' equity				
Common and preferred shareholders	6,153	40	–	6,193
Non-controlling interests in subsidiaries	1	–	–	1
	6,154	40	–	6,194
	14,373	44	–	14,417

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Financial Position as at August 31, 2018.

	As at August 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
ASSETS				
Current				
Cash	384	–	–	384
Accounts receivable	255	–	(2)	253
Inventories	101	–	(40)	61
Other current assets	286	(13)	–	273
Current portion of contract assets	–	59	–	59
Assets held for sale	–	–	–	–
	1,026	46	(42)	1,030
Investments and other assets	660	–	–	660
Property, plant and equipment	4,672	–	30	4,702
Other long-term assets	300	(102)	(1)	197
Deferred income tax assets	4	–	–	4
Intangibles	7,482	–	–	7,482
Goodwill	280	–	–	280
Contract assets	–	76	–	76
	14,424	20	(13)	14,431
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	–	–	40
Accounts payable and accrued liabilities	971	(1)	–	970
Provisions	245	–	–	245
Income taxes payable	133	–	–	133
Unearned revenue	221	(221)	–	–
Current portion of contract liabilities	–	226	–	226
Current portion of long-term debt	1	–	–	1
Liabilities held for sale	–	–	–	–
	1,611	4	–	1,615
Long-term debt	4,310	–	–	4,310
Other long-term liabilities	13	–	–	13
Provisions	179	–	–	179
Deferred credits	460	(18)	–	442
Contract liabilities	–	18	–	18
Deferred income tax liabilities	1,894	(7)	(3)	1,884
	8,467	(3)	(3)	8,461
Shareholders' equity				
Common and preferred shareholders	5,956	22	(9)	5,969
Non-controlling interests in subsidiaries	1	–	–	1
	5,957	22	(9)	5,970
	14,424	19	(12)	14,431

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Cash Flows for the three months ended November 30, 2017.

	Three months ended November 30, 2017			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
OPERATING ACTIVITIES				
Funds flow from continuing operations	384	(17)	–	367
Net change in non-cash balances related to continuing operations	(17)	17	1	1
Operating activities of discontinued operations	(2)	–	–	(2)
	365	–	1	366
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(332)	–	14	(318)
Additions to equipment costs (net)	(16)	–	–	(16)
Additions to other intangibles	(35)	–	–	(35)
Net additions (reductions) to inventories	(15)	–	(15)	(30)
Proceeds on sale of discontinued operations, net of cash sold	18	–	–	18
Net additions to investments and other assets	23	–	–	23
Proceeds on disposal of property, plant and equipment	7	–	–	7
	(350)	–	(1)	(351)
FINANCING ACTIVITIES				
Issue of Class B Non-Voting Shares	21	–	–	21
Dividends paid on Class A Shares and Class B Non-Voting Shares	(96)	–	–	(96)
Dividends paid on Preferred Shares	(2)	–	–	(2)
	(77)	–	–	(77)
Increase (decrease) in cash	(62)	–	–	(62)
Cash, beginning of the period	507	–	–	507
Cash of continuing operations, end of the period	**445**	**–**	**–**	**445**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments which are comprised of Wireline and Wireless. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Revenue		
Wireline	**1,083**	1,075
Wireless	**273**	171
	1,356	1,246
Intersegment eliminations	**(1)**	(1)
	1,355	1,245
Operating income before restructuring costs and amortization		
Wireline	**500**	447
Wireless	**45**	33
	545	480
Restructuring costs	**(1)**	–
Amortization	**(262)**	(260)
Operating income	**282**	220
Current taxes		
Operating	**50**	44
Other/non-operating	**(15)**	(8)
	35	36

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Capital expenditures accrual basis		
Wireline	**195**	205
Wireless	**66**	116
	261	321
Equipment costs (net of revenue)		
Wireline	**10**	18
Capital expenditures and equipment costs (net)		
Wireline	**205**	223
Wireless	**66**	116
	271	339
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**336**	318
Additions to equipment costs (net)	**9**	16
Additions to other intangibles	**34**	35
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**379**	369
Increase/decrease in working capital and other liabilities related to capital expenditures	**(109)**	(24)
Decrease in customer equipment financing receivables	**1**	1
Less: Proceeds on disposal of property, plant and equipment	**–**	(7)
Total capital expenditures and equipment costs (net) reported by segments	**271**	339

4. REVENUE

Significant accounting policies

The Company records revenue from contracts with customers in accordance with the following five steps in IFRS 15:

(1) identify the contract(s) with a customer;
(2) identify the performance obligations in the contract;
(3) determine the transaction price;
(4) allocate the transaction price to the performance obligations in the contract; and,
(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time (i.e. services) or at a point in time (i.e. equipment). For performance obligations satisfied over time, revenue is recognized as the services are provided. These services are typically provided, and recognized on a monthly basis. Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed.

For bundled arrangements (e.g. wireless handsets, and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Contract assets and liabilities
We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Deferred commission cost assets
We defer the incremental cost of obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them a deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Use of estimates and judgments

The application of IFRS 15 requires Shaw to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the costs we incur to obtain or fulfill a contract that meet the deferral criteria within IFRS 15 requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the period.

	Contract Assets	Contract Liabilities
Opening balance, as at September 1, 2018	135	244
Increase in contract assets from revenue recognized during the period	49	–
Contract assets transferred to trade receivables	(38)	–
Contract terminations transferred to trade receivables	(2)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(229)
Increase in contract liabilities during the period	–	224
Ending balance, as at November 30, 2018	144	239

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the three months ended November 30, 2018 and 2017. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

	Three months ended November 30,	
	2018	2017
Opening balance	**75**	57
Additions to deferred commission cost assets	**20**	14
Amortization recognized on deferred commission cost assets	**(15)**	(11)
Ending balance	**80**	60

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Services		
Wireline - Consumer	**936**	935
Wireline - Business	**147**	140
Wireless	**167**	127
	1,250	1,202
Equipment and other		
Wireless	**106**	44
	106	44
Intersegment eliminations	**(1)**	(1)
Total revenue	**1,355**	1,245

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at November 30, 2018.

	Within 1 year	**Within 2 years**	**Total**
Wireline	707	259	966
Wireless	281	116	397
Total	**988**	**375**	**1,363**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. OTHER CURRENT ASSETS

	November 30, 2018	August 31, 2018 (restated, note 2)
	$	$
Prepaid expenses	**135**	104
Costs incurred to obtain or fulfill a contract with a customer(1)	**52**	48
Wireless handset receivables(2)	**149**	121
	336	273

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018, these amounts relate to the current portion of wireless handset receivables.

6. SHORT-TERM BORROWINGS

The Company has established an accounts receivable securitization program with a Canadian financial institution which will allow it to sell certain trade receivables into the program up to a maximum of $100. The Company will continue to service and retain substantially all of the risks and rewards relating to the trade receivables sold, and therefore, the trade receivables will remain recognized on the Company's Consolidated Statement of Financial Position and the funding received will be recorded as a current liability (revolving floating rate loans) secured by the trade receivables. The buyer's interest in the accounts receivable ranks ahead of the Company's interest and the program restricts it from using the trade receivables as collateral for any other purpose. The buyer of the trade receivables has no claim on any of the Company's other assets. The term of this revolving-period agreement ends on June 19, 2019.

A summary of our accounts receivable securitization program is as follows:

	November 30, 2018	August 31, 2018
	$	$
Trade accounts receivable sold to buyer as security	**443**	429
Short-term borrowings from buyer	**(40)**	(40)
Over-collateralization	**403**	389

	Three months ended November 30,	
	2018	2017
Accounts receivable securitization program, beginning of period	**40**	–
Proceeds received from accounts receivable securitization	**–**	–
Repayment of accounts receivable securitization	**–**	–
Accounts receivable securitization program, end of period	**40**	**–**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [1] $	Other $	Total $
Balance as at September 1, 2018	67	276	81	424
Additions	**–**	**1**	**9**	**10**
Accretion	**1**	**–**	**–**	**1**
Reversal	**–**	**–**	**(1)**	**(1)**
Payments	**–**	**(26)**	**(2)**	**(28)**
Balance as at November 30, 2018	**68**	**251**	**87**	**406**
Current	–	166	79	245
Long-term	67	110	2	179
Balance as at September 1, 2018	67	276	81	424
Current	**–**	**187**	**87**	**274**
Long-term	**68**	**64**	**–**	**132**
Balance as at November 30, 2018	**68**	**251**	**87**	**406**

(1) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the third and fourth quarters made additional changes to its organizational structure as part of a total business transformation initiative. A total of $26 has been paid in fiscal 2019. The remaining costs are expected to be paid out within the next 26 months.

8. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Employee salaries and benefits[1]	**162**	196
Purchase of goods and services	**649**	569
	811	765

(1) For the three months ended November 30, 2018, employee salaries and benefits include $1 (2017 - $nil) in restructuring costs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. LONG-TERM DEBT

		November 30, 2018			August 31, 2018		
	Effective interest rates	**Long-term debt at amortized cost(1)**	**Adjustment for finance costs(1)**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost(1)	Adjustment for finance costs(1)	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,249**	**1**	**1,250**	1,248	2	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	499	1	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	299	1	300
3.80% due November 2, 2023	3.80	**497**	**3**	**500**	–	–	–
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,419**	**31**	**1,450**	1,419	31	1,450
		5,255	**45**	**5,300**	4,261	39	4,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**–**	**50**	50	–	50
Total consolidated debt		**5,305**	**45**	**5,350**	4,311	39	4,350
Less current portion(2)		**1,251**	**1**	**1,252**	1	–	1
		4,054	**44**	**4,098**	4,310	39	4,349

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On November 2, 2018, the Company issued $500 senior notes at a rate of 3.80% due November 2, 2023 and $500 senior notes at a rate of 4.40% due November 2, 2028.

On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. SHARE CAPITAL

Changes in share capital during the year ended November 30, 2018 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2018	22,420,064	2	484,194,344	4,054	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	–	–	73,067	2	–	–	–	–
Issued pursuant to dividend reinvestment	–	–	2,142,987	53	–	–	–	–
November 30, 2018	**22,420,064**	**2**	**486,410,398**	**4,109**	**10,012,393**	**245**	**1,987,607**	**48**

11. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share calculations are as follows:

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Numerator for basic and diluted earnings per share ($)		
Net income from continuing operations	**187**	117
Deduct: dividends on Preferred Shares	**(2)**	(2)
Net income attributable to common shareholders from continuing operations	**185**	115
Loss from discontinued operations	**–**	(6)
Loss from discontinued operations attributable to common shareholders	**–**	(6)
Net income attributable to common shareholders	**185**	109
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**507**	498
Effect of dilutive securities (1)	**1**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**508**	499
Basic earnings (loss) per share ($)		
Continuing operations	**0.36**	0.23
Discontinued operations	**–**	(0.01)
Attributable to common shareholders	**0.36**	0.22
Diluted earnings (loss) per share ($)		
Continuing operations	**0.36**	0.23
Discontinued operations	**–**	(0.01)
Attributable to common shareholders	**0.36**	0.22

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three months ended November 30, 2018, 6,976,976 (2017 – 2,383,853) options were excluded from the diluted earnings per share calculation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the year ended November 30, 2018 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	**–**	**1**
Share of other comprehensive income of associates	**1**	**–**	**1**
	2	**–**	**2**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	**12**	**(3)**	**9**
	14	**(3)**	**11**

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2017 are as follows:

	Amount $	Income taxes $	Net $
Items that may subsequently be reclassified to income			
Continuing operations:			
Change in unrealized fair value of derivatives designated as cash flow hedges	7	(2)	5
Adjustment for hedged items recognized in the period	1	–	1
Share of other comprehensive income of associates	(1)	–	(1)
	7	(2)	5
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans:			
Continuing operations	(15)	4	(11)
	(8)	2	(6)

Accumulated other comprehensive loss is comprised of the following:

	November 30, 2018 $	August 31, 2018 $
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	–
Share of other comprehensive income of associates	**18**	18
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(48)**	(57)
	(28)	(39)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

13. STATEMENTS OF CASH FLOWS

Disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	Three months ended November 30,	
	2018	2017 (restated, note 2)
Net income from continuing operations	**187**	117
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**263**	261
Deferred income tax expense	**20**	39
Share-based compensation	**1**	1
Defined benefit pension plans	**3**	4
Equity income of an associate or joint venture	**(23)**	(30)
Net change in contract asset balances	**(10)**	(26)
Other	**(2)**	1
Funds flow from continuing operations	**439**	367

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended November 30,	
	2018	2017
Interest paid	**87**	89
Income taxes paid (net of refunds)	**52**	113
Interest received	**1**	1

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended November 30,	
	2018	2017
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan	**53**	52

14. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of long-term debt and a contingent liability are as follows:

	November 30, 2018		August 31, 2018	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
	$	**$**	$	$
Liabilities				
Long-term debt (including current portion)[1]	**5,305**	**5,656**	4,311	4,788

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2018 and 2017
[all amounts in millions of Canadian dollars, except share and per share amounts]

15. INVESTMENTS AND OTHER ASSETS

Corus Entertainment Inc.

At November 30, 2018, the Company owned 80,630,383 (2017 – 80,630,383) Corus Class B shares having a market value of $398 (2017 - $944) and representing 38% (2017 – 39%) of Corus' total issued equity of Class A and Class B shares. The Company's weighted average ownership of Corus for the three months ended November 30, 2018 was 38% (2017 – 39%). For the three months ended November 30, 2018, the Company received dividends of $nil (2017 - $23) from Corus.

	November 30, 2018	August 31, 2018
Current assets	**610**	508
Non-current assets	**4,372**	4,375
Current liabilities	**(590)**	(523)
Non-current liabilities	**(2,653)**	(2,683)
Net assets	**1,739**	1,677
Less: non-controlling interests	**(155)**	(154)
	1,584	1,523
Carrying amount of the investment less accumulated impairment losses	**639**	615

Summary financial information for Corus and reconciliation with the carrying amount of the investment in the unaudited interim condensed consolidated balance sheets is as follows:

Summarized statement of earnings of Corus:

	Three months ended November 30,	
	2018	2017
Revenue	**467**	457
Net income attributable to:		
Shareholders	**61**	78
Non-controlling interest	**6**	7
	67	85
Other comprehensive income (loss), attributable to shareholders	**2**	(3)
Comprehensive income	**69**	82
Equity income from associates(1)	**23**	30
Other comprehensive income (loss) from equity accounted associates(1)	**1**	(1)
	24	29

(1) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the three month periods ended November 30, 2018 and 2017.

16. SUBSEQUENT EVENT

On December 4, 2018, the Company entered into new unsecured letter of credit facilities, under which letters of credit were issued in favour of and filed with Innovation, Science and Economic Development Canada ("ISED") to fulfill the pre-auction financial deposit requirement with respect to its application to participate in the 600 MHz spectrum auction to be held in March 2019. Under the terms of ISED's 600 Mhz auction, communications between bidders that would provide insights into bidding strategies, including references to preferred blocks, technologies or valuations are precluded until the deadline for the final payment. Disclosure of the precise amount of the letters of credit could be interpreted as a signal of bidding intentions.

This is Exhibit 34 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**May 31, 2019**	August 31, 2018 (restated, note 2)	September 1, 2017 (restated, note 2)
ASSETS			
Current			
Cash	**1,427**	384	507
Accounts receivable	**234**	253	286
Inventories	**64**	61	59
Other current assets *[note 5]*	**306**	273	179
Current portion of contract assets *[note 4]*	**61**	59	15
Assets held for sale	**–**	–	61
	2,092	1,030	1,107
Investments and other assets *[notes 16 and 17]*	**37**	660	937
Property, plant and equipment	**4,817**	4,702	4,394
Other long-term assets *[note 16]*	**210**	197	216
Deferred income tax assets	**4**	4	4
Intangibles *[note 18]*	**7,952**	7,482	7,435
Goodwill	**280**	280	280
Contract assets *[note 4]*	**75**	76	44
	15,467	14,431	14,417
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Short-term borrowings *[note 6]*	**40**	40	–
Accounts payable and accrued liabilities	**909**	970	909
Provisions *[note 7]*	**239**	245	76
Income taxes payable	**93**	133	151
Current portion of contract liabilities *[note 4]*	**219**	226	214
Current portion of long-term debt *[notes 11 and 16]*	**1,251**	1	2
Liabilities held for sale	**–**	–	39
	2,751	1,615	1,391
Long-term debt *[notes 11 and 16]*	**4,056**	4,310	4,298
Other long-term liabilities	**57**	13	114
Provisions *[note 7]*	**75**	179	67
Deferred credits	**431**	442	469
Contract liabilities *[note 4]*	**15**	18	21
Deferred income tax liabilities	**1,847**	1,884	1,863
	9,232	8,461	8,223
Shareholders' equity *[notes 12 and 14]*			
Common and preferred shareholders	**6,232**	5,969	6,193
Non-controlling interests in subsidiaries	**3**	1	1
	6,235	5,970	6,194
	15,467	14,431	14,417

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, 2019	Three months ended May 31, 2018 (restated, note 2)	Nine months ended May 31, 2019	Nine months ended May 31, 2018 (restated, note 2)
Revenue *[notes 3 and 4]*	**1,324**	1,289	**3,995**	3,863
Operating, general and administrative expenses *[note 8]*	**(794)**	(751)	**(2,371)**	(2,362)
Restructuring costs *[notes 7 and 8]*	**–**	(13)	**(1)**	(430)
Amortization:				
Deferred equipment revenue	**5**	7	**16**	24
Deferred equipment costs	**(21)**	(27)	**(66)**	(85)
Property, plant and equipment, intangibles and other	**(247)**	(232)	**(738)**	(705)
Operating income (loss) from continuing operations	**267**	273	**835**	305
Amortization of financing costs – long-term debt	**(1)**	–	**(2)**	(2)
Interest expense	**(62)**	(60)	**(192)**	(184)
Equity income (loss) of an associate or joint venture *[note 17]*	**20**	(259)	**46**	(213)
Loss on disposal of an associate or joint venture *[note 17]*	**(109)**	–	**(109)**	–
Other gains *[note 9]*	**53**	1	**48**	6
Income (loss) from continuing operations before income taxes	**168**	(45)	**626**	(88)
Current income tax expense *[note 3]*	**8**	18	**85**	96
Deferred income tax expense (recovery) *[note 10]*	**(69)**	36	**(30)**	(27)
Net income (loss) from continuing operations	**229**	(99)	**571**	(157)
Loss from discontinued operations, net of tax	**–**	–	**–**	(6)
Net income (loss)	**229**	(99)	**571**	(163)
Net income (loss) from continuing operations attributable to:				
Equity shareholders	**227**	(99)	**569**	(157)
Non-controlling interests	**2**	–	**2**	–
	229	(99)	**571**	(157)
Loss from discontinued operations attributable to:				
Equity shareholders	**–**	–	**–**	(6)
Basic earnings (loss) per share *[note 13]*				
Continuing operations	**0.44**	(0.20)	**1.10**	(0.33)
Discontinued operations	**–**	–	**–**	(0.01)
	0.44	(0.20)	**1.10**	(0.34)
Diluted earnings (loss) per share *[note 13]*				
Continuing operations	**0.44**	(0.20)	**1.10**	(0.33)
Discontinued operations	**–**	–	**–**	(0.01)
	0.44	(0.20)	**1.10**	(0.34)

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2019**	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Net income (loss)	**229**	(99)	**571**	(163)
Other comprehensive income (loss) *[note 14]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	1	**3**	4
Adjustment for hedged items recognized in the period	**(1)**	1	**(2)**	3
Share of other comprehensive income of associates	**(7)**	2	**(13)**	7
Reclassification of accumulated gain to income related to the sale of	**(3)**	–	**(3)**	–
	(9)	4	**(15)**	14
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**(25)**	–	**(25)**	63
	(34)	4	**(40)**	77
Comprehensive income (loss)	**195**	(95)	**531**	(86)
Comprehensive income (loss) attributable to:				
Equity shareholders	**195**	(95)	**531**	(86)

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Nine months ended May 31, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
September 1, 2018, as previously reported	**4,349**	**27**	**1,619**	**(39)**	**5,956**	**1**	**5,957**
Transition adjustments - IFRS 15 *[note 2]*	**–**	**–**	**22**	**–**	**22**	**–**	**22**
Restated balance at September 1, 2018	**4,349**	**27**	**1,641**	**(39)**	**5,978**	**1**	**5,979**
Change in accounting policy adjustments *[note 2]*	**–**	**–**	**(9)**	**–**	**(9)**	**–**	**(9)**
Restated balance as at September 1, 2018	**4,349**	**27**	**1,632**	**(39)**	**5,969**	**1**	**5,970**
Net income	**–**	**–**	**569**	**–**	**569**	**2**	**571**
Other comprehensive loss	**–**	**–**	**–**	**(40)**	**(40)**	**–**	**(40)**
Comprehensive income (loss)	**–**	**–**	**569**	**(40)**	**529**	**2**	**531**
Dividends	**–**	**–**	**(301)**	**–**	**(301)**	**–**	**(301)**
Dividend reinvestment plan	**161**	**–**	**(161)**	**–**	**–**	**–**	**–**
Shares issued under stock option plan	**37**	**(4)**	**–**	**–**	**33**	**–**	**33**
Share-based compensation	**–**	**2**	**–**	**–**	**2**	**–**	**2**
Balance as at May 31, 2019	**4,547**	**25**	**1,739**	**(79)**	**6,232**	**3**	**6,235**

Nine months ended May 31, 2018

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non-controlling interests	Total equity
	Attributable to equity shareholders						
September 1, 2017, as previously reported	4,090	30	2,164	(131)	6,153	1	6,154
Transition adjustments - IFRS 15 *[note 2]*	–	–	40	–	40	–	40
Restated balance as at September 1, 2017	4,090	30	2,204	(131)	6,193	1	6,194
Net loss *[restated, note 2*]	–	–	(163)	–	(163)	–	(163)
Other comprehensive income	–	–	–	77	77	–	77
Comprehensive income (loss)	–	–	(163)	77	(86)	–	(86)
Dividends	–	–	(294)	–	(294)	–	(294)
Dividend reinvestment plan	159	–	(159)	–	–	–	–
Shares issued under stock option plan	35	(4)	–	–	31	–	31
Share-based compensation	–	2	–	–	2	–	2
Restated balance as at May 31, 2018	4,284	28	1,588	(54)	5,846	1	5,847

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, **2019**	Three months ended May 31, 2018 (restated, note 2)	Nine months ended May 31, **2019**	Nine months ended May 31, 2018 (restated, note 2)
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 15]*	**471**	437	**1,354**	755
Net change in non-cash balances related to continuing operations	**(39)**	(64)	**(221)**	143
Operating activities of discontinued operations	**–**	–	**–**	(2)
	432	373	**1,133**	896
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(271)**	(246)	**(827)**	(828)
Additions to equipment costs (net) *[note 3]*	**(11)**	(11)	**(30)**	(37)
Additions to other intangibles *[note 3]*	**(29)**	(29)	**(82)**	(84)
Spectrum acquisitions	**(492)**	–	**(492)**	–
Proceeds on sale of discontinued operations, net of cash sold	**–**	–	**–**	18
Proceeds on sale of investments	**551**	–	**551**	–
Net additions to investments and other assets	**4**	23	**7**	65
Proceeds on disposal of property, plant and equipment	**46**	1	**59**	9
	(202)	(262)	**(814)**	(857)
FINANCING ACTIVITIES				
Increase in long-term debt	**–**	–	**1,000**	10
Bank facility arrangement costs	**–**	–	**(9)**	–
Issue of Class B Non-Voting Shares *[note 12]*	**10**	4	**33**	31
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(97)**	(96)	**(292)**	(286)
Dividends paid on Preferred Shares	**(3)**	(2)	**(7)**	(6)
Other	**(1)**	(1)	**(1)**	(1)
	(91)	(95)	**724**	(252)
Increase (decrease) in cash	**139**	16	**1,043**	(213)
Cash, beginning of the period	**1,288**	278	**384**	507
Cash, end of the period	**1,427**	294	**1,427**	294

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three and nine months ended May 31, 2019 were authorized for issue by the Audit Committee on June 26, 2019.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2018.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2018.

- IFRS 15 *Revenue from Contracts with Customers,* was issued in May 2014 and replaces IAS 11 *Construction Contracts,* IAS 18 *Revenue,* IFRIC 13 *Customer Loyalty Programs,* IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC-31 *Revenue—Barter Transactions Involving Advertising Services*. The new standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration expected to be received in exchange for those goods or services. The principles are to be applied in the following five steps:
  (1) identify the contract(s) with a customer;
  (2) identify the performance obligations in the contract;
  (3) determine the transaction price;
  (4) allocate the transaction price to the performance obligations in the contract; and,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

(5) recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The application of IFRS 15 impacted the Company's reported results, including the classification and timing of revenue recognition and the treatment of costs incurred to obtain contracts with customers.

The application of this standard most significantly affected our Wireless arrangements that bundle equipment and service together, specifically with regards to the timing of recognition and classification of revenue. The timing of recognition and classification of revenue was affected because at contract inception, IFRS 15 requires the estimation of total consideration to be received over the contract term, and the allocation of that consideration to performance obligations in the contract, typically based on the relative stand-alone selling price of each obligation. This resulted in a decrease to equipment revenue recognized at contract inception, as the discount previously recognized over 24 months is now recognized at contract inception, and a decrease to service revenue recognized over the course of the contract, as a portion of the discount previously allocated solely to equipment revenue is allocated to service revenue. The measurement of total revenue recognized over the life of a contract was unaffected by the new standard.

IFRS 15 also requires that incremental costs to obtain a contract with a customer (for example, commissions) be capitalized and amortized into operating expenses over the life of a contract on a rational, systematic basis consistent with the pattern of the transfer of goods or services to which the asset relates. The Company previously expensed such costs as incurred.

The Company's financial position was also impacted by the adoption of IFRS 15, with new contract asset and contract liability categories recognized to reflect differences between the timing of revenue recognition and the actual billing of those goods and services to customers.

For purposes of applying the new standard on an ongoing basis, we are required to make judgments in respect of the new standard, including judgments in determining whether a promise to deliver goods or services is considered distinct, how to determine the transaction prices and how to allocate those amounts amongst the associated performance obligations. We must also exercise judgment as to whether sales-based compensation amounts are costs incurred to obtain contracts with customers that should be capitalized and subsequently amortized on a systematic basis over time.

We have made a policy choice to adopt IFRS 15 with full retrospective application, subject to certain practical expedients. As a result, all comparative information in these financial statements has been prepared as if IFRS 15 had been in effect since September 1, 2017. The accounting policies set out in note 2 have been applied in preparing the interim consolidated financial statements as at and for the three and nine months ended May 31, 2019, the comparative information presented for the three and nine months ended May 31, 2018, and for the consolidated statements of financial position as at September 1, 2017 and August 31, 2018.

Upon adoption of, and transition to, IFRS 15, we elected to utilize the following practical expedients:

- Completed contracts that begin and end within the same annual reporting period and those completed before September 1, 2017 are not restated;
- Contracts modified prior to September 1, 2017 are not restated. The aggregate effect of these modifications is reflected when identifying the satisfied and unsatisfied performance obligations, determining the transaction price and allocating the transaction price to the satisfied and unsatisfied performance obligations; and
- Not disclose, on an annual basis, the unsatisfied portions of performance obligations related to contracts with a duration of one year or less or where the revenue we recognize is equal to the amount invoiced to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Impacts of IFRS 15, Revenue from Contracts with Customers

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Income as disclosed in note 2(f) - "Transition adjustments" for the three and nine months ended May 31, 2018, are as follows:

		Three months ended May 31, 2018			Nine months ended May 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent transition**	**As reported**	**Effect of transition**	**Subsequent transition**
Revenue	i.	1,300	(11)	1,289	3,904	(41)	3,863
Operating, general and administrative expenses	ii.	(753)	2	(751)	(2,375)	13	(2,362)
Other revenue (expense)		1	–	1	3	3	6
Income tax expense (recovery)		58	(3)	55	82	(10)	72
Net loss from continuing operations		(91)	(6)	(97)	(141)	(15)	(156)

i) Allocation of transaction price
Revenue recognized at point of sale requires the estimation of total consideration over the contract term and allocation of that consideration to all performance obligations in the contract based on their relative stand-alone selling prices. For Wireless term contracts, equipment revenue recognized at contract inception, as well as service revenue recognized over the course of the contract is lower than previously recognized as noted above.

ii) Deferred commission costs
Costs incurred to obtain or fulfill a contract with a customer were previously expensed as incurred. Under IFRS 15, these costs are capitalized and subsequently amortized as an expense over the life of the customer on a rational, systematic basis consistent with the pattern of the transfer of goods and services to which the asset relates. As a result, commission costs are reduced in the period, with an offsetting increase in amortization of capitalized costs over the average life of a customer.

The effect of transition to IFRS 15 on our disaggregated revenues for the three and nine months ended May 31, 2018, are as follows:

	Three months ended May 31, 2018			Nine months ended May 31, 2018		
(millions of Canadian dollars)	**As reported**	**Effect of transition**	**Subsequent transition**	**As reported**	**Effect of transition**	**Subsequent transition**
Services						
Wireline - Consumer	923	–	923	2,784	–	2,784
Wireline - Business	141	–	141	421	–	421
Wireless	155	(9)	146	428	(21)	407
	1,219	(9)	1,210	3,633	(21)	3,612
Equipment and other						
Wireless	82	(2)	80	274	(20)	254
	82	(2)	80	274	(20)	254
Intersegment eliminations	(1)	–	(1)	(3)	–	(3)
Total revenue	1,300	(11)	1,289	3,904	(41)	3,863

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

The effect of transition to IFRS 15 on impacted line items on our condensed Consolidated Statements of Financial Position as disclosed in note 2(f) - "Transition adjustments" as at September 1, 2017 and August 31, 2018 are as follows:

		As at September 1, 2017			As at August 31, 2018		
(millions of Canadian dollars)		**As reported**	**Effect of transition**	**Subsequent to transition**	**As reported**	**Effect of transition**	**Subsequent to transition**
Current portion of contract assets	i.	–	15	15	–	59	59
Other current assets	ii.	155	24	179	286	(13)	273
Contract assets	i.	–	44	44	–	76	76
Other long-term assets	ii.	255	(39)	216	300	(102)	198
Accounts payable and accrued liabilities	i.	913	(4)	909	971	(1)	970
Unearned revenue	i.	211	(211)	–	221	(221)	–
Current portion of contract liabilities	i.	–	214	214	–	226	226
Deferred credits	i.	490	(21)	469	460	(18)	442
Deferred income tax liabilities	ii.	1,858	5	1,863	1,894	(6)	1,888
Contract liabilities	i.	–	21	21	–	18	18
Shareholders' equity		6,154	40	6,194	5,957	22	5,979

i) Contract assets and liabilities
Contract assets and liabilities are the result of the difference in timing related to revenue recognized at the beginning of a contract and cash collected. Contract assets arise primarily as a result of the difference between revenue recognized on the sale of wireless device at the onset of a term contract and the cash collected at the point of sale.

Contract liabilities are the result of receiving payment related to a customer contract before providing the related goods or services. We will account for contract assets and liabilities on a contract-by-contract basis, with each contract being presented as a single net contract asset or net contract liability accordingly.

ii) Deferred commission cost asset
Under IFRS 15, we will defer commission costs paid to internal and external representatives as a result of obtaining contracts with customers as deferred commission cost assets and amortize them over the pattern of the transfer of goods and services to the customer, which is typically evenly over 24 to 36 months.

Refer to note 2(f) "Transition adjustments" for the impact of application of IFRS 15 on our previously reported consolidated statements of cash flows.

- IFRS 9 *Financial Instruments* was revised and issued in July 2014 and replaces IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes updated guidance on the classification and measurement of financial instruments, new guidance on measuring impairment on financial assets, and new hedge accounting guidance. We have applied IFRS 9, and the related consequential amendments to other IFRSs, on a retrospective basis except for the changes to hedge accounting as described below which were applied on a prospective basis. The adoption of IFRS 9 did not have a significant impact on our financial performance or the carrying amounts of our financial instruments as set out in note 2(f) below.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

IFRS 9 replaces the classification and measurement models in IAS 39 with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. Investments and equity instruments are required to be measured by default at FVTPL unless an irrevocable option for each equity instrument is taken to measure at FVOCI. The classification and measurement of financial assets is based on the business model that the asset is managed and its contractual cash flow characteristics. The adoption of IFRS 9 did not change the measurement bases of our financial assets

- Cash and derivative instruments classified as held-for-trading and measured at FVTPL under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of FVTPL
- Investments in equity securities not quoted in an active market and where fair value cannot be reliably measured that were classified as available-for-sale and recorded at cost less impairment under IAS 39 are now required to be classified and measured at FVTPL under IFRS 9. There has been no change to the measurement of these assets on transition
- Trade and other receivables classified as loans and receivables and measured at amortized cost under IAS 39 continue to be measured as such under IFRS 9 with an updated classification of amortized cost

For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. We did not choose the option of designating any financial liabilities at FVTPL as such, the adoption of IFRS 9 did not impact our accounting policies for financial liabilities as all liabilities continue to be measured at amortized cost.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. IFRS 9 applies to financial assets measured at amortized cost, including contract assets under IFRS 15, and requires that we consider factors that include historical, current and forward-looking information when measuring the ECL. We use the simplified approach for measuring losses based on the lifetime ECL for trade receivables and contract assets. Amounts considered uncollectible are written off and recognized in operating, general and administrative expenses in the Consolidated Statement of Income. This change did not have a significant impact to our receivables.

IFRS 9 does not fundamentally change the types of hedging relationships or the requirements to measure and recognize ineffectiveness; however, it requires us to ensure that the hedge accounting relationships are aligned with our risk management objective and strategy and to apply a more qualitative and forward-looking approach to assess hedge effectiveness. It also requires that amounts related to cash flow hedges of anticipated purchases of non-financial assets settled during the period to be reclassified from accumulated other comprehensive income to the initial cost of the non-financial asset when it is recognized. Under IAS 39, when an anticipated transaction was subsequently recorded as a non-financial asset, the amounts were reclassified from other comprehensive income (loss).

In accordance with IFRS 9's transition provisions for hedge accounting, the Company has applied the IFRS 9 hedge accounting requirements prospectively from the date of initial application without restatement of prior period comparatives. The Company's qualifying hedging relationships in place as at August 31, 2018 also qualified for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Company has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Standards and amendments to standards issued but not yet effective

The Company has not yet adopted certain standards and amendments that have been issued but are not yet effective. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 Leases. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, effectively treating all leases as finance leases. Certain short-term leases (less than 12 months) and leases of low-value are exempt from the requirements and may continue to be treated as operating leases. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As the Company has significant contractual obligations currently being recognized as operating leases, we anticipate that the application of IFRS 16 will result in a material increase to both assets and liabilities and material changes to the timing of the recognition of expenses associated with the lease arrangements although at this stage in the Company's IFRS 16 implementation process, it is not possible to make reasonable quantitative estimates of the effects of the new standard.

  The Company continues to assess the impact of this standard on its consolidated financial statements and is progressing with the implementation of a new system that will enable it to comply with the requirements of the standard on a contract-by-contract basis. The Company continues to evaluate its accounting policy determinations and has commenced the data validation process, both of which the Company expects will continue throughout fiscal 2019. The Company has decided that it will use a modified retrospective approach upon adoption of IFRS 16 on September 1, 2019. The Company intends to disclose the estimated financial effects of the adoption of IFRS 16 in its 2019 annual audited consolidated financial statements.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. It is required to be applied for annual periods commencing January 1, 2019, which for the Company will be the annual period commencing September 1, 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements.

d) Discontinued operations

The Company reports financial results for discontinued operations separately from continuing operations to distinguish the financial impact of disposal transactions from ongoing operations. Discontinued operations reporting occurs when the disposal of a component or a group of components of the Company represents a strategic shift that will have a major impact on the Company's operations and financial results, and where the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company.

The results of discontinued operations are excluded from both continuing operations and business segment information in the condensed interim consolidated financial statements and the notes to the condensed interim consolidated financial statements, unless otherwise noted, and are presented net of tax in the statement of income for the current and comparative periods. Refer to the Company's consolidated financial statements for the year ended August 31, 2018 for further information regarding the Company's discontinued operations.

e) Change in accounting policy

Effective September 1, 2018, the Company voluntarily changed its accounting policy related to the treatment of digital cable terminals ("DCTs") to record them as property, plant and equipment rather than inventory upon acquisition. The Company believes that the change in accounting policy will result in clearer and more relevant financial information as the Company has recently changed its offerings to customers, which has resulted in DCTs being predominantly rented rather than sold to customers. Previously, inventories included DCTs which were held pending rental or sale to the customer at cost or at a subsidized price. When the subscriber equipment was rented, it was transferred to property,

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

plant and equipment and amortized over its useful life and then removed from capital and returned to inventory when returned by a customer. Under the new policy, all DCTs will be classified as property, plant and equipment regardless of whether or not they are currently deployed to a customer as the Company believes that this better reflects the economic substance of its operations. This change in accounting policy has been applied retrospectively. Refer to note 2(f) - "Transition adjustments" below for the impact of this change of accounting policy on previously reported consolidated Statements of Financial Position, consolidated Statements of Income and consolidated Statements of Cash Flows.

f) Transition adjustments

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statements of Income for the three and nine months ended May 31, 2018.

	Three months ended May 31, 2018				Nine months ended May 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
Revenue	1,300	(11)	–	1,289	3,904	(41)	–	3,863
Operating, general and administrative expenses	(753)	2	–	(751)	(2,375)	13	–	(2,362)
Restructuring costs	(13)	–	–	(13)	(430)	–	–	(430)
Amortization:								
Deferred equipment revenue	7	–	–	7	24	–	–	24
Deferred equipment costs	(27)	–	–	(27)	(85)	–	–	(85)
Property, plant and equipment, intangibles and other	(229)	–	(3)	(232)	(695)	–	(10)	(705)
Operating income from continuing operations	285	(9)	(3)	273	343	(28)	(10)	305
Amortization of financing costs – long-term debt	–	–	–	–	(2)	–	–	(2)
Interest expense	(60)	–	–	(60)	(184)	–	–	(184)
Equity income of an associate or joint venture	(259)	–	–	(259)	(213)	–	–	(213)
Other revenue (expense)	1	–	–	1	3	3	–	6
Loss from continuing operations before income taxes	(33)	(9)	(3)	(45)	(53)	(25)	(10)	(88)
Current income tax expense	18	–	–	18	96	–	–	96
Deferred income tax expense (recovery)	40	(3)	(1)	36	(14)	(10)	(3)	(27)
Net loss from continuing operations	(91)	(6)	(2)	(99)	(135)	(15)	(7)	(157)
Loss from discontinued operations, net of tax	–	–	–	–	(6)	–	–	(6)
Net loss from continuing operations	(91)	(6)	(2)	(99)	(141)	(15)	(7)	(163)
Net loss from continuing operations attributable to:								
Equity shareholders	(91)	(6)	(2)	(99)	(135)	(15)	(7)	(157)
Loss from discontinued operations								
Equity shareholders	–	–	–	–	(6)	–	–	(6)
Basic earnings (loss) per share								
Continuing operations	(0.18)	–	–	(0.20)	(0.28)	–	–	(0.33)
Discontinued operations	-	–	–	-	(0.01)	–	–	(0.01)
	(0.18)	–	–	(0.20)	(0.29)	–	–	(0.34)
Diluted earnings (loss) per share								
Continuing operations	(0.18)	–	–	(0.20)	(0.28)	–	–	(0.33)
Discontinued operations	-	–	–	-	(0.01)	–	–	(0.01)
	(0.18)	–	–	(0.20)	(0.29)	–	–	(0.34)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Financial Position as at September 1, 2017 and August 31, 2018.

	As at September 1, 2017				As at August 31, 2018			
(millions of Canadian dollars)	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition	As reported	IFRS 15 transition	Change in accounting policy	Subsequent to transition
ASSETS								
Current								
Cash	507	–	–	507	384	–	–	384
Accounts receivable	286	–	–	286	255	–	(2)	253
Inventories	109	–	(50)	59	101	–	(40)	61
Other current assets	155	24	–	179	286	(13)	–	273
Current portion of contract assets	–	15	–	15	–	59	–	59
Assets held for sale	61	–	–	61	–	–	–	–
	1,118	39	(50)	1,107	1,026	46	(42)	1,030
Investments and other assets	937	–	–	937	660	–	–	660
Property, plant and equipment	4,344	–	50	4,394	4,672	–	30	4,702
Other long-term assets	255	(39)	–	216	300	(102)	(1)	197
Deferred income tax assets	4	–	–	4	4	–	–	4
Intangibles	7,435	–	–	7,435	7,482	–	–	7,482
Goodwill	280	–	–	280	280	–	–	280
Contract assets	–	44	–	44	–	76	–	76
	14,373	44	–	14,417	14,424	20	(13)	14,431
LIABILITIES AND SHAREHOLDERS' EQUITY								
Current								
Short-term borrowings	–	–	–	–	40	–	–	40
Accounts payable and accrued liabilities	913	(4)	–	909	971	(1)	–	970
Provisions	76	–	–	76	245	–	–	245
Income taxes payable	151	–	–	151	133	–	–	133
Unearned revenue	211	(211)	–	-	221	(221)	–	–
Current portion of contract liabilities	–	214	–	214	–	226	–	226
Current portion of long-term debt	2	–	–	2	1	–	–	1
Liabilities held for sale	39	–	–	39	–	–	–	–
	1,392	(1)	–	1,391	1,611	4	–	1,615
Long-term debt	4,298	–	–	4,298	4,310	–	–	4,310
Other long-term liabilities	114	–	–	114	13	–	–	13
Provisions	67	–	–	67	179	–	–	179
Deferred credits	490	(21)	–	469	460	(18)	–	442
Contract liabilities	–	21	–	21	–	18	–	18
Deferred income tax liabilities	1,858	5	–	1,863	1,894	(6)	(4)	1,884
	8,219	4	–	8,223	8,467	(2)	(4)	8,461
Shareholders' equity								
Common and preferred shareholders	6,153	40	–	6,193	5,956	22	(9)	5,969
Non-controlling interests in subsidiaries	1	–	–	1	1	–	–	1
	6,154	40	–	6,194	5,957	22	(9)	5,970
	14,373	44	–	14,417	14,424	20	(13)	14,431

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Below is the effect of transition to IFRS 15 and adoption of our new accounting policy described above on our condensed consolidated Statement of Cash Flows for the three and nine months ended May 31, 2018.

	Three months ended May 31, 2018				Nine months ended May 31, 2018			
(millions of Canadian dollars)	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**	**As reported**	**IFRS 15 transition**	**Change in accounting policy**	**Subsequent to transition**
OPERATING ACTIVITIES								
Funds flow from continuing operations	459	(22)	–	437	817	(62)	–	755
Net change in non-cash balances related to continuing operations	(101)	22	15	(64)	86	62	(5)	143
Operating activities of discontinued operations	–	–	–	–	(2)	–	–	(2)
	358	–	15	373	901	–	(5)	896
INVESTING ACTIVITIES								
Additions to property, plant and equipment	(231)	–	(15)	(246)	(833)	–	5	(828)
Additions to equipment costs (net)	(11)	–	–	(11)	(37)	–	–	(37)
Additions to other intangibles	(29)	–	–	(29)	(84)	–	–	(84)
Proceeds on sale of discontinued operations, net of cash sold	–	–	–	–	18	–	–	18
Net additions to investments and other assets	23	–	–	23	65	–	–	65
Proceeds on disposal of property, plant and equipment	1	–	–	1	9	–	–	9
	(247)	–	(15)	(262)	(862)	–	5	(857)
FINANCING ACTIVITIES								
Increase in long-term debt	–	–	–	–	10	–	–	10
Debt repayments	(1)	–	–	(1)	(1)	–	–	(1)
Issue of Class B Non-Voting Shares	4	–	–	4	31	–	–	31
Dividends paid on Class A Shares and Class B Non-Voting Shares	(96)	–	–	(96)	(286)	–	–	(286)
Dividends paid on Preferred Shares	(2)	–	–	(2)	(6)	–	–	(6)
	(95)	–	–	(95)	(252)	–	–	(252)
Increase (decrease) in cash	16	–	–	16	(213)	–	–	(213)
Cash, beginning of the period	278	–	–	278	507	–	–	507
Cash of continuing operations, end of the period	**294**	**–**	**–**	**294**	**294**	**–**	**–**	**294**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments which are comprised of Wireline and Wireless. The chief operating decision makers utilize operating income before restructuring costs and amortization for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Revenue				
Wireline	**1,075**	1,064	**3,229**	3,205
Wireless	**251**	226	**771**	661
	1,326	1,290	**4,000**	3,866
Intersegment eliminations	**(2)**	(1)	**(5)**	(3)
	1,324	1,289	**3,995**	3,863
Operating income before restructuring costs and amortization				
Wireline	**475**	485	**1,472**	1,397
Wireless	**55**	53	**152**	104
	530	538	**1,624**	1,501
Restructuring costs	**–**	(13)	**(1)**	(430)
Amortization	**(263)**	(252)	**(788)**	(766)
Operating income	**267**	273	**835**	305
Current taxes				
Operating	**10**	29	**80**	116
Other/non-operating	**(2)**	(11)	**5**	(20)
	8	18	**85**	96

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Capital expenditures accrual basis				
Wireline	**182**	228	**562**	646
Wireless	**87**	68	**237**	241
	269	296	**799**	887
Equipment costs (net of revenue)				
Wireline	**11**	12	**31**	41
Capital expenditures and equipment costs (net)				
Wireline	**193**	240	**593**	687
Wireless	**87**	68	**237**	241
	280	308	**830**	928
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**271**	246	**827**	828
Additions to equipment costs (net)	**11**	11	**30**	37
Additions to other intangibles	**29**	29	**82**	84
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**311**	286	**939**	949
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**15**	22	**(51)**	(15)
Decrease in customer equipment financing receivables	**–**	1	**1**	3
Less: Proceeds on disposal of property, plant and equipment	**(46)**	(1)	**(59)**	(9)
Total capital expenditures and equipment costs (net) reported by segments	**280**	308	**830**	928

4. REVENUE

Significant accounting policies

The Company records revenue from contracts with customers in accordance with the following five steps in IFRS 15:

(1) identify the contract(s) with a customer;
(2) identify the performance obligations in the contract;
(3) determine the transaction price;
(4) allocate the transaction price to the performance obligations in the contract; and,
(5) recognize revenue when (or as) we satisfy a performance obligation.

Revenue for each performance obligation is recognized either over time (i.e. services) or at a point in time (i.e. equipment). For performance obligations satisfied over time, revenue is recognized as the services are provided. These services are typically provided, and recognized on a monthly basis. Revenue for performance obligations satisfied at a point in time is recognized when control of the item or service transfers to the customer. Revenues on certain long-term contracts are recognized using output methods based on products delivered, performance completed to date and time elapsed.

For bundled arrangements (e.g. wireless handsets, and voice and data services), items are accounted for as separate performance obligations if the item meets the definition of a distinct good or service. Stand-alone selling prices are determined using observable prices adjusted for market conditions and other factors, as appropriate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

When a customer can modify their contract within predefined terms such that we are not able to enforce the transaction price agreed to, but can only contractually enforce a lower amount, we allocate revenue between performance obligations using the minimum enforceable rights and obligations and any excess amount is recognized as revenue as its earned.

Contract assets and liabilities
We record a contract asset when we have provided goods and services to our customer but our right to related consideration for the performance obligation is conditional on satisfying other performance obligations. Contract assets are transferred to trade receivables when our right to consideration becomes conditional only as to the passage of time. A contract liability is recognized when we receive consideration in advance of the transfer of products or services to the customer. We account for contract assets and liabilities on a contract-by-contract basis, with each contract presented as either a net contract asset or a net contract liability accordingly.

Deferred commission cost assets
We defer the incremental cost to obtain or fulfill a contract with a customer over their expected period of benefit to the extent they are recoverable. These costs include certain commissions paid to internal and external representatives. We defer them as deferred commission cost assets in other assets and amortize them to operating costs over the pattern of the transfer of goods and services to the customer, which is typically evenly over either 24 or 36 consecutive months.

Use of estimates and judgments

The application of IFRS 15 requires Shaw to make judgments and estimates that affect the amount and timing of revenue from contracts with customers, including estimates of the stand-alone selling prices of wireless products and services, the identification of performance obligations within a contract and the timing of satisfaction of performance obligations under long-term contracts.

Determining the costs we incur to obtain or fulfill a contract that meet the deferral criteria within IFRS 15 requires us to make significant judgments. We expect incremental commission fees paid to internal and external representatives as a result of obtaining contracts with customers to be recoverable.

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the period.

	Contract Assets	Contract Liabilities
Opening balance, as at September 1, 2018	135	244
Increase in contract assets from revenue recognized during the period	116	–
Contract assets transferred to trade receivables	(109)	–
Contract terminations transferred to trade receivables	(6)	–
Revenue recognized included in contract liabilities at the beginning of the year	–	(234)
Increase in contract liabilities during the period	–	224
Ending balance, as at May 31, 2019	**136**	**234**

	Contract Assets	Contract Liabilities
Current	59	226
Long-term	76	18
Balance as at September 1, 2018	135	244
Current	**61**	**219**
Long-term	**75**	**15**
Balance as at May 31, 2019	**136**	**234**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the nine months ended May 31, 2019 and 2018. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

	2019	2018
Opening balance, as at September 1	**75**	57
Additions to deferred commission cost assets	**58**	41
Amortization recognized on deferred commission cost assets	**(48)**	(38)
Ending balance, as at May 31	**85**	60

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Services				
Wireline - Consumer	**925**	923	**2,784**	2,784
Wireline - Business	**150**	141	**445**	421
Wireless	**178**	146	**513**	407
	1,253	1,210	**3,742**	3,612
Equipment and other				
Wireless	**73**	80	**258**	254
	73	80	**258**	254
Intersegment eliminations	**(2)**	(1)	**(5)**	(3)
Total revenue	**1,324**	1,289	**3,995**	3,863

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at May 31, 2019.

	Within 1 year	**Within 2 years**	**Total**
Wireline	733	140	873
Wireless	318	127	445
Total	**1,051**	**267**	**1,318**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. OTHER CURRENT ASSETS

	May 31, 2019	August 31, 2018 (restated, note 2)
Prepaid expenses	**120**	104
Costs incurred to obtain or fulfill a contract with a customer(1)	**56**	48
Wireless handset receivables(2)	**130**	121
	306	273

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2018, these amounts relate to the current portion of wireless handset receivables.

6. SHORT-TERM BORROWINGS

Effective May 29, 2019, the Company amended the terms of its accounts receivable securitization program to extend the term of the program to May 29, 2022 and increase the sales committed up to a maximum of $200 million.

A summary of our accounts receivable securitization program is as follows:

	May 31, 2019	August 31, 2018
Trade accounts receivable sold to buyer as security	**403**	429
Short-term borrowings from buyer	**(40)**	(40)
Over-collateralization	**363**	389

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
Accounts receivable securitization program, beginning of period	**40**	–	**40**	–
Proceeds received from accounts receivable securitization	**–**	–	**–**	–
Repayment of accounts receivable securitization	**–**	–	**–**	–
Accounts receivable securitization program, end of period	**40**	–	**40**	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations	Restructuring [1]	Other	Total
Balance as at September 1, 2018	67	276	81	424
Additions	**–**	**1**	**10**	**11**
Accretion	**7**	**–**	**–**	**7**
Reversal	**–**	**–**	**–**	**–**
Payments	**–**	**(102)**	**(26)**	**(128)**
Balance as at May 31, 2019	**74**	**175**	**65**	**314**
Current	–	166	79	245
Long-term	67	110	2	179
Balance as at September 1, 2018	67	276	81	424
Current	**–**	**174**	**65**	**239**
Long-term	**74**	**1**	**–**	**75**
Balance as at May 31, 2019	**74**	**175**	**65**	**314**

(1) During the second quarter of fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees and in the third and fourth quarters made additional changes to its organizational structure as part of a total business transformation initiative. A total of $101 has been paid in fiscal 2019. The remaining costs are expected to be paid out within the next 20 months.

8. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Employee salaries and benefits[1]	**176**	186	**511**	980
Purchase of goods and services	**618**	578	**1,861**	1,812
	794	764	**2,372**	2,792

(1) For the three and nine months ended May 31, 2019, employee salaries and benefits include nil (2018 - $5) and $1 (2018 - $407) in restructuring costs, respectively.

9. OTHER GAINS (LOSSES)

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018 (restated, note 2)
Gain on disposal of fixed assets	**40**	–	**36**	1
Gain on disposal of investments	**15**	–	**15**	–
Other	**(2)**	1	**(3)**	5
	53	1	**48**	6

Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities, gains and losses on disposal of property, plant and equipment and minor investments, and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. INCOME TAXES

On May 28, 2019, the Alberta government passed Bill 3, the Job Creation Tax Cut, which will reduce the Alberta provincial corporate tax rates from 12% to 8% in a phased approach between July 1, 2019 and January 1, 2022. As these changes were considered substantively enacted on May 28, 2019, we recognized a $102 recovery of deferred tax for the three months ended May 31, 2019 related to this change.

11. LONG-TERM DEBT

		May 31, 2019			August 31, 2018		
	Effective interest rates	**Long-term debt at amortized cost[(1)]**	**Adjustment for finance costs[(1)]**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost[(1)]	Adjustment for finance costs[(1)]	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**1,249**	**1**	**1,250**	1,248	2	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	499	1	500
3.15% due February 19, 2021	3.17	**299**	**1**	**300**	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	–	–	–
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	–	–	–
6.75% due November 9, 2039	6.89	**1,420**	**30**	**1,450**	1,419	31	1,450
		5,257	**43**	**5,300**	4,261	39	4,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**–**	**50**	50	–	50
Total consolidated debt		**5,307**	**43**	**5,350**	4,311	39	4,350
Less current portion[(2)]		**1,251**	**1**	**1,252**	1	–	1
		4,056	**42**	**4,098**	4,310	39	4,349

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On November 2, 2018, the Company issued $500 senior notes at a rate of 3.80% due November 2, 2023 and $500 senior notes at a rate of 4.40% due November 2, 2028.

On November 21, 2018, the Company amended the terms of its bank credit facility to extend the maturity date to December 2023.

On December 4, 2018, the Company entered into new unsecured letter of credit facilities, under which letters of credit were issued in favour of and filed with Innovation, Science and Economic Development Canada ("ISED") to fulfill the pre-auction financial deposit requirement with respect to its application to participate in the 600 MHz spectrum auction which occurred during the period from March 14, 2019 to April 10, 2019. The Company's wireless subsidiary, Freedom Mobile Inc., successfully acquired 11 paired blocks of 20-year 600 MHz spectrum, across its wireless operating footprint, for a total price of $492. In accordance with 600 MHz auction terms, 20% ($98) was paid to ISED on April 26, 2019 and the remaining 80% balance ($394) was paid on May 24, 2019. As of May 31, 2019, all of the letters of credit were cancelled and the unsecured letter of credit facilities were all terminated.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. SHARE CAPITAL

Changes in share capital during the nine-months ended May 31, 2019 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2018	22,420,064	2	484,194,344	4,054	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	–	–	1,576,311	37	–	–	–	–
Issued pursuant to dividend reinvestment	–	–	6,295,549	161	–	–	–	–
Class A conversions to Class B	(48,000)	–	48,000	–	–	–	–	–
May 31, 2019	**22,372,064**	**2**	**492,114,204**	**4,252**	**10,012,393**	**245**	**1,987,607**	**48**

13. EARNINGS (LOSS) PER SHARE

Earnings (loss) per share calculations are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Numerator for basic and diluted earnings (loss) per share ($)				
Net income (loss) from continuing operations	**229**	(99)	**571**	(157)
Deduct: net income attributable to non-controlling interests in subsidiaries	**(2)**	–	**(2)**	–
Deduct: dividends on Preferred Shares	**(3)**	(2)	**(7)**	(6)
Net income (loss) attributable to common shareholders from continuing operations	**224**	(101)	**562**	(163)
Loss from discontinued operations	**–**	–	**–**	(6)
Loss from discontinued operations attributable to common shareholders	**–**	–	**–**	(6)
Net income (loss) attributable to common shareholders	**224**	(101)	**562**	(169)
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**512**	503	**510**	500
Effect of dilutive securities [(1)]	**–**	1	**–**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**512**	504	**510**	501
Basic earnings (loss) per share ($)				
Continuing operations	**0.44**	(0.20)	**1.10**	(0.33)
Discontinued operations	**–**	–	**–**	(0.01)
Attributable to common shareholders	**0.44**	(0.20)	**1.10**	(0.34)
Diluted earnings (loss) per share ($)				
Continuing operations	**0.44**	(0.20)	**1.10**	(0.33)
Discontinued operations	**–**	–	**–**	(0.01)
Attributable to common shareholders	**0.44**	(0.20)	**1.10**	(0.34)

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and nine months ended May 31, 2019, 4,602,448 (2018 – 5,800,939) and 6,226,089 (2018 – 4,200,298) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. OTHER COMPREHENSIVE INCOME (LOSS) AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income (loss) and the related income tax effects for the nine months ended May 31, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**4**	**(1)**	**3**
Adjustment for hedged items recognized in the period	**(3)**	**1**	**(2)**
Share of other comprehensive income of associates	**(13)**	**–**	**(13)**
Reclassification of accumulated loss to income related to the sale of an associate	**(3)**	**–**	**(3)**
	(15)	**–**	**(15)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(33)**	**8**	**(25)**
	(48)	**8**	**(40)**

Components of other comprehensive income (loss) and the related income tax effects for the three months ended May 31, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**3**	**(1)**	**2**
Adjustment for hedged items recognized in the period	**(2)**	**1**	**(1)**
Share of other comprehensive income of associates	**(7)**	**–**	**(7)**
Reclassification of accumulated loss to income related to the sale of an associate	**(3)**	**–**	**(3)**
	(9)	**–**	**(9)**
Items that will not be subsequently be reclassified to income			
Remeasurements on employee benefit plans	**(33)**	**8**	**(25)**
	(42)	**8**	**(34)**

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2018 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	6	(2)	4
Adjustment for hedged items recognized in the period	4	(1)	3
Share of other comprehensive income of associates	7	–	7
	17	(3)	14
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	85	(22)	63
	102	(25)	77

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2018 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	2	(1)	1
Adjustment for hedged items recognized in the period	1	–	1
Share of other comprehensive income of associates	2	–	2
	5	**(1)**	**4**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Accumulated other comprehensive loss is comprised of the following:

	May 31, 2019	August 31, 2018
Items that may subsequently be reclassified to income		
Continuing operations:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	–
Share of other comprehensive income of associates	**18**	18
Reclassification of accumulated gain from other comprehensive income related to the sale of an associate	**(18)**	–
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans:		
Continuing operations	**(81)**	(57)
	(79)	(39)

15. STATEMENTS OF CASH FLOWS

Disclosures with respect to the Consolidated Statements of Cash Flows are as follows:

(i) Funds flow from continuing operations

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Net income (loss) from continuing operations	**229**	(99)	**571**	(157)
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**264**	252	**790**	768
Deferred income tax expense (recovery)	**(69)**	36	**(30)**	(27)
Share-based compensation	**–**	–	**2**	2
Defined benefit pension plans	**3**	4	**9**	12
Equity (income)/loss of an associate or joint venture	**(20)**	259	**(46)**	213
Loss on disposal of an associate or joint venture	**109**	–	**109**	–
Gain on sale of investments	**(15)**	–	**(15)**	–
Net change in contract asset balances	**9**	(16)	**(1)**	(57)
Gain on disposal of fixed assets	**(40)**	–	**(36)**	(1)
Other	**1**	1	**1**	2
Funds flow from continuing operations	**471**	437	**1,354**	755

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
Interest paid	**109**	90	**220**	207
Income taxes paid (recovered) (net of refunds)	**29**	(28)	**126**	136
Interest received	**1**	1	**4**	3

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
Issuance of Class B Non-Voting Shares:				
Dividend reinvestment plan	**54**	53	**161**	159

16. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at cost. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of long-term debt are as follows:

	May 31, 2019		August 31, 2018	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)(1)	**5,307**	**5,933**	4,311	4,788

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

17. INVESTMENTS AND OTHER ASSETS

	May 31, 2019	August 31, 2018
Publicly traded companies	–	615
Investments in private entities	**37**	45
	37	660

During the three months ended May 31, 2019, the Company disposed of a portfolio investment with a book value of $10 for proceeds of $25.

Corus Entertainment Inc.

On May 31, 2019, the Company sold all of its 80,630,383 Class B non-voting participating shares of Corus at a price of $6.80 per share. Proceeds, net of transaction costs were $526, which resulted in a loss of $109 for the three and nine months ended May 31, 2019.

The Company's weighted average ownership of Corus for the nine months ended May 31, 2019 was 38% (2018 – 39%). For the three and nine months ended May 31, 2019, the Company received dividends of $5 (2018 - $23) and $10 (2018 - $69) from Corus, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Summary financial information for Corus through the disposal date is as follows:

Summarized statement of earnings of Corus:

	Three months ended May 31,		Nine months ended May 31,	
	2019	2018	**2019**	2018
Revenue	**458**	441	**1,310**	1,268
Net income attributable to:				
Shareholders	**66**	(936)	**133**	(818)
Non-controlling interest	**7**	7	**19**	20
	73	(929)	**152**	(798)
Other comprehensive income (loss), attributable to shareholders	**(24)**	5	**(40)**	18
Comprehensive income	**49**	(924)	**112**	(780)
Equity income from associates, excluding goodwill impairment	**20**	25	**46**	71
Impairment of investment in associate[(1)]	**–**	(284)	**–**	(284)
Equity income from associates[(2)]	**20**	(259)	**46**	(213)
Other comprehensive income (loss) from equity accounted associates[(2)]	**(7)**	2	**(13)**	7
	13	(257)	**33**	(206)

(1) The Company assessed its investment in Corus for indicators of impairment, which included a significant and sustained decrease in the share price as well as the recording by Corus of an impairment charge against their goodwill and broadcast license intangibles, and found that there was evidence that impairment had occurred. The Company compared the recoverable amount to the carrying value and determined that an impairment charge of $284 million was required. The recoverable amount was determined based on the value in use of the investment.

(2) The Company's share of income and other comprehensive income reflect the weighted average proportion of Corus net income and other comprehensive income attributable to shareholders for the three and nine month periods ended May 31, 2019 and 2018.

Carrying amount at August 31, 2018	**615**
Share of equity at disposition date	**46**
Share of other comprehensive income (loss) of associates	**(13)**
Dividends received to disposition date	**(10)**
Carrying value at disposition date	**638**
Proceeds on disposal, net of transaction costs	**526**
Reclassification of accumulated gain from other comprehensive income related to the sale of an associate	**(3)**
Loss on sale of investment	**109**

18. INTANGIBLES AND GOODWILL

In April 2019, the Company acquired 11 paired blocks of 20-year 600 MHz spectrum, across its wireless operating footprint, for a total price of $492 million. The spectrum acquisition rights secured through the auction include 30 MHz across each of British Columbia, Alberta and Southern Ontario as well as 20 MHz in Eastern Ontario.

The purchase was funded from cash on hand.

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2019 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2019 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2019 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2019 would not result in any impairment loss.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Any changes in economic conditions since the impairment testing conducted as at February 1, 2019 do not represent events or changes in circumstance that would be indicative of impairment at May 31, 2019.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2019, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal operating income before restructuring costs and amortization multiple
Cable	6.5%	1.5%	7.4X
Satellite	7.5%	-3.0%	5.4X
Wireless	9.3%	1.0%	4.5X

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal operating income before restructuring costs and amortization multiple
Cable	16.4%	14.2%	4.8%
Satellite	8.1%	9.7%	5.6%
Wireless	15.2%	7.7%	8.0%

19. RELATED PARTY TRANSACTIONS

On May 15, 2019, the Company completed the sale of a non-core parcel of land and the building located thereon (the "Property"), to an affiliate of Shaw Family Living Trust ("SFLT") (the "Purchaser"), for total net proceeds of approximately $45. The Property had a net book value of approximately $4 resulting in a gain on disposition of approximately $41. The purchase price was determined based on appraisals performed by two independent valuators. As part of the transaction, the Purchaser agreed to lease back the Property to the Company for a term of three years at market rental rates (which was also based on appraisals from the two independent valuators) allowing the Company to monetize a non-core asset. The transaction was approved by the independent Board members of the Company.

This is Exhibit 35 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**February 29, 2020**	August 31, 2019
ASSETS		
Current		
Cash	**47**	1,446
Accounts receivable	**300**	287
Inventories	**70**	86
Other current assets *[note 4]*	**268**	291
Current portion of contract assets *[note 11]*	**128**	106
	813	2,216
Investments and other assets *[note 15]*	**42**	37
Property, plant and equipment	**6,197**	4,883
Other long-term assets	**205**	195
Deferred income tax assets	**1**	4
Intangibles	**7,975**	7,979
Goodwill	**280**	280
Contract assets *[note 11]*	**76**	52
	15,589	15,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**255**	40
Accounts payable and accrued liabilities	**865**	1,015
Provisions *[note 7]*	**133**	224
Income taxes payable	**27**	82
Current portion of contract liabilities *[note 11]*	**203**	223
Current portion of long-term debt *[notes 8 and 15]*	**1**	1,251
Current portion of lease liabilities *[notes 2 and 5]*	**114**	-
	1,598	2,835
Long-term debt *[notes 8 and 15]*	**4,050**	4,057
Lease liabilities *[notes 2 and 5]*	**1,191**	-
Other long-term liabilities	**82**	75
Provisions *[note 7]*	**81**	79
Deferred credits	**416**	425
Contract liabilities *[note 11]*	**15**	15
Deferred income tax liabilities	**1,943**	1,875
	9,376	9,361
Shareholders' equity *[notes 9 and 13]*		
Common and preferred shareholders	**6,213**	6,282
Non-controlling interests in subsidiaries	**-**	3
	6,213	6,285
	15,589	15,646

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended **February 29, 2020**	Three months ended February 28, 2019	Six months ended **February 29, 2020**	Six months ended February 28, 2019
Revenue *[notes 3 and 11]*	**1,363**	1,315	**2,746**	2,669
Operating, general and administrative expenses *[note 12]*	**(763)**	(767)	**(1,558)**	(1,577)
Restructuring costs *[notes 7 and 12]*	**-**	-	**-**	(1)
Amortization:				
Deferred equipment revenue	**5**	5	**9**	11
Deferred equipment costs	**(17)**	(21)	**(35)**	(45)
Property, plant and equipment, intangibles and other	**(288)**	(248)	**(577)**	(492)
Operating income	**300**	284	**585**	565
Amortization of financing costs – long-term debt	**(1)**	-	**(2)**	(1)
Interest expense	**(68)**	(68)	**(139)**	(130)
Equity income of an associate or joint venture	**-**	3	**-**	26
Other losses	**(19)**	(4)	**(22)**	(5)
Income before income taxes	**212**	215	**422**	455
Current income tax expense *[note 3]*	**23**	42	**59**	77
Deferred income tax expense	**22**	19	**34**	39
Net income	**167**	154	**329**	339
Net income attributable to:				
Equity shareholders	**167**	154	**329**	339
Earnings per share: *[note 10]*				
Basic and diluted	**0.32**	0.30	**0.63**	0.66

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended **February 29, 2020**	Three months ended February 28, 2019	Six months ended **February 29, 2020**	Six months ended February 28, 2019
Net income	**167**	154	**329**	339
Other comprehensive income *[note 13]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**-**	-	**-**	1
Adjustment for hedged items recognized in the period	**-**	(1)	**-**	(1)
Share of other comprehensive loss of associates	**-**	(7)	**-**	(6)
	-	(8)	**-**	(6)
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**(10)**	(9)	**(5)**	-
	(10)	(17)	**(5)**	(6)
Comprehensive income	**157**	137	**324**	333
Comprehensive income attributable to:				
Equity shareholders	**157**	137	**324**	333

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Six months ended February 29, 2020

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
September 1, 2019, as previously reported	**4,605**	**26**	**1,745**	**(94)**	**6,282**	**3**	**6,285**
Transition adjustments - IFRIC 23 *[note 2]*	**-**	**-**	**(22)**	**-**	**(22)**	**-**	**(22)**
Restated balance as at September 1, 2019	**4,605**	**26**	**1,723**	**(94)**	**6,260**	**3**	**6,263**
Net income	**-**	**-**	**329**	**-**	**329**	**-**	**329**
Other comprehensive income	**-**	**-**	**-**	**(5)**	**(5)**	**-**	**(5)**
Comprehensive income	**-**	**-**	**329**	**(5)**	**324**	**-**	**324**
Dividends	**-**	**-**	**(272)**	**-**	**(272)**	**-**	**(272)**
Dividend reinvestment plan	**37**	**-**	**(37)**	**-**	**-**	**-**	**-**
Distributions declared to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Shares issued under stock option plan	**6**	**(1)**	**-**	**-**	**5**	**-**	**5**
Shares repurchased *[note 9]*	**(35)**	**-**	**(70)**	**-**	**(105)**	**-**	**(105)**
Share-based compensation	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Balance as at February 29, 2020	**4,613**	**26**	**1,673**	**(99)**	**6,213**	**-**	**6,213**

Six months ended February 28, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2018	4,349	27	1,632	(39)	5,969	1	5,970
Net income	-	-	339	-	339	-	339
Other comprehensive income	-	-	-	(6)	(6)	-	(6)
Comprehensive income	-	-	339	(6)	333	-	333
Dividends	-	-	(200)	-	(200)	-	(200)
Dividend reinvestment plan	107	-	(107)	-	-	-	-
Shares issued under stock option plan	26	(4)	-	-	22	-	22
Share-based compensation	-	2	-	-	2	-	2
Balance as at February 28, 2019	4,482	25	1,664	(45)	6,126	1	6,127

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended **February 29, 2020**	Three months ended February 28, 2019	Six months ended **February 29, 2020**	Six months ended February 28, 2019
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 14]*	**496**	443	**946**	881
Net change in non-cash balances	**(135)**	(33)	**(246)**	(180)
	361	410	**700**	701
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(248)**	(220)	**(518)**	(556)
Additions to equipment costs (net) *[note 3]*	**(7)**	(10)	**(18)**	(19)
Additions to other intangibles *[note 3]*	**(36)**	(19)	**(64)**	(53)
Net additions to investments and other assets	**(4)**	3	**(5)**	3
Proceeds on disposal of property, plant and equipment	**1**	13	**1**	13
	(294)	(233)	**(604)**	(612)
FINANCING ACTIVITIES				
Increase in short-term borrowings	**135**	-	**215**	-
Issuance of long-term debt	**800**	-	**800**	1,000
Repayment of long-term debt	**(818)**	-	**(2,068)**	-
Bank facility arrangement costs	**(9)**	-	**(10)**	(9)
Payment of lease liabilities	**(27)**	-	**(57)**	-
Issue of Class B Non-Voting Shares *[note 9]*	**2**	21	**5**	23
Purchase of Class B Non-Voting Shares for cancellation *[note 9]*	**(80)**	-	**(105)**	-
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(153)**	(97)	**(269)**	(195)
Dividends paid on Preferred Shares	**(2)**	(2)	**(4)**	(4)
Payment of distributions to non-controlling interests	**-**	-	**(2)**	-
	(152)	(78)	**(1,495)**	815
Increase (decrease) in cash	**(85)**	99	**(1,399)**	904
Cash, beginning of the period	**132**	1,189	**1,446**	384
Cash, end of the period	**47**	1,288	**47**	1,288

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three and six months ended February 29, 2020 were authorized for issue by the Board of Directors on April 9, 2020.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2019.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2019.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company recognizes a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

As a result of adopting IFRS 16, the Company recognized a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense, an increase to depreciation and amortization, due to the depreciation of the right-of-use asset, and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the previous standard, although actual cash flows are unaffected, the Company’s statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

Implementation
We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. We recognized lease liabilities at September 1, 2019 for leases previously classified as operating leases, measured at the present-value of the lease payments using our incremental borrowing rate at that date, with the corresponding right-of-use asset generally measured at an equal amount, adjusted for any prepaid or accrued rent outstanding as at August 31, 2019.

As permitted by IFRS 16, we applied certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:
- not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019; and
- use hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, we have not elected the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and on a lease-by-lease basis, respectively, in the future.

In December 2019, the IFRS Interpretations Committee issued a final agenda decision in regards to the determination of the lease term for cancellable or renewable leases under IFRS 16. The Company is currently assessing the impact of this interpretation on its financial.

There was no significant impact for contracts in which we are the lessor.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It was required to be applied for annual periods commencing January 1, 2019, which for the Company was the annual period commencing September 1, 2019. The cumulative effect of the initial application of the new standard has been reflected as an adjustment to retained earnings at September 1, 2019. Refer to "Transition adjustments" below for details.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Transition adjustments

Below is the effect of transition to IFRS 16 and the adoption of IFRIC 23 on our condensed consolidated Statement of Financial Position as at September 1, 2019.

(millions of Canadian dollars)	As reported as at August 31, 2019	Effect of IFRS 16 transition	Effect of IFRIC 23 transition	Subsequent to transition as at September 1, 2019
ASSETS				
Current				
Cash	1,446	-	-	1,446
Accounts receivable	287	-	-	287
Inventories	86	-	-	86
Other current assets	291	(16)	-	275
Current portion of contract assets	106	-	-	106
	2,216	(16)	-	2,200
Investments and other assets	37	-	-	37
Property, plant and equipment	4,883	1,338	-	6,221
Other long-term assets	195	-	-	195
Deferred income tax assets	4	-	-	4
Intangibles	7,979	-	-	7,979
Goodwill	280	-	-	280
Contract assets	52	-	-	52
	15,646	1,322	-	16,968
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	-	-	40
Accounts payable and accrued liabilities	1,015	-	-	1,015
Provisions	224	-	(5)	219
Income taxes payable	82	-	(11)	71
Current portion of contract liabilities	223	-	-	223
Current portion of long-term debt	1,251	-	-	1,251
Current portion of lease liabilities	-	113	-	113
	2,835	113	(16)	2,932
Long-term debt	4,057	-	-	4,057
Lease liabilities	-	1,211	-	1,211
Other long-term liabilities	75	(2)	-	73
Provisions	79	-	-	79
Deferred credits	425	-	-	425
Contract liabilities	15	-	-	15
Deferred income tax liabilities	1,875	-	38	1,913
	9,361	1,322	22	10,705
Shareholders' equity				
Common and preferred shareholders	6,282	-	(22)	6,260
Non-controlling interests in subsidiaries	3	-	-	3
	6,285	-	(22)	6,263
	15,646	1,322	-	16,968

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Prior to adopting IFRS 16, our total minimum operating lease commitments as at August 31, 2019 was $919 million. The weighted average discount rate applied to the total lease liabilities was 3.50% at September 1, 2019. The difference between the total of the minimum lease payments set out in Note 27 in our 2019 Audited Financial Statements and the total lease liability recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at August 31, 2019;
- the effect of discounting on the minimum lease payments; and
- certain costs to which we are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

d) Fiscal 2019 Accounting Policies Updated for IFRS 16

Leases

The following accounting policy applies as of September 1, 2019 following the adoption of IFRS 16. Prior to September 1, 2019, IAS 17 was applied as disclosed in the Company's 2019 annual consolidated financial statements, as permitted by transition provisions of IFRS 16.

Leases are typically entered into for network infrastructure and equipment, including transponders, and land and buildings relating to the Company's wireless and wireline networks, office space and retail stores. At inception of a contract, the Company assesses whether the contract contains a lease. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under a residual value guarantee; and
- Payments relating to purchase options and renewal option periods that are reasonably certain to be exercised, or periods subject to termination options that are not reasonably certain to be exercised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

The initial lease term included in the measurement of the lease liability is comprised of:

- The non-cancellable period of the lease;
- Periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

Lease liabilities are subsequently measured at amortized cost. Lease liabilities are remeasured when there is a lease modification, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The interest expense for lease liabilities is recorded in *Interest expense* in the Consolidated Statements of Income.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in *Operating, general and administrative expenses* in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company presents right-of-use assets in *Property, plant and equipment.*

If we obtain ownership of the leased asset by the end of the lease term or the costs of the right-of-use asset reflects the exercise of a purchase option, we depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term. Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements on the related lease liability. The depreciation charge for right-of-use assets is recorded in *Amortization – Property, plant and equipment.*

Significant Judgments and Estimates

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining whether a contract contains a lease, determining the contract term, including whether or not to exercise renewal or termination options, and determining the interest rate used for discounting future cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Revenue				
Wireline	**1,063**	1,071	**2,130**	2,154
Wireless	**302**	246	**620**	518
	1,365	1,317	**2,750**	2,672
Intersegment eliminations	**(2)**	(2)	**(4)**	(3)
	1,363	1,315	**2,746**	2,669
Adjusted EBITDA(1)				
Wireline	**519**	497	**1,036**	997
Wireless	**81**	51	**152**	95
	600	548	**1,188**	1,092
Restructuring costs	**-**	-	**-**	(1)
Amortization	**(300)**	(264)	**(603)**	(526)
Operating income	**300**	284	**585**	565
Current taxes				
Operating	**22**	35	**54**	70
Other/non-operating	**1**	7	**5**	7
	23	42	**59**	77

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses. We previously referred to this measure as "Operating income before restructuring and amortization" but have renamed it to better align with language used by various stakeholders of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures.

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Capital expenditures accrual basis				
Wireline	**216**	185	**410**	380
Wireless	**53**	84	**108**	150
	269	269	**518**	530
Equipment costs (net of revenue)				
Wireline	**7**	10	**18**	20
Capital expenditures and equipment costs (net)				
Wireline	**223**	195	**428**	400
Wireless	**53**	84	**108**	150
	276	279	**536**	550
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**248**	220	**518**	556
Additions to equipment costs (net)	**7**	10	**18**	19
Additions to other intangibles	**36**	19	**64**	53
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**291**	249	**600**	628
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**(14)**	43	**(63)**	(66)
Decrease in customer equipment financing receivables	**-**	-	**-**	1
Less: Proceeds on disposal of property, plant and equipment	**(1)**	(13)	**(1)**	(13)
Total capital expenditures and equipment costs (net) reported by segments	**276**	279	**536**	550

4. OTHER CURRENT ASSETS

	February 29, 2020	August 31, 2019
Prepaid expenses	**86**	108
Deferred commission costs(1)	**61**	59
Wireless handset receivables(2)	**121**	124
	268	291

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities for the six months ended February 29, 2020.

	2020
Balance as at September 1, 2019	1,324
Net additions	**38**
Interest on lease liabilities	**22**
Interest payments on lease liabilities	**(22)**
Principal payments of lease liabilities	**(57)**
Other	**-**
Balance as at February 29, 2020	**1,305**
Current	113
Long-term	1,211
Balance as at September 1, 2019	1,324
Current	**114**
Long-term	**1,191**
Balance as at February 29, 2020	**1,305**

6. SHORT-TERM BORROWINGS

	February 29, 2020	August 31, 2019
Credit facility	**55**	-
Accounts receivable securitization program	**200**	40
	255	40

During the period, the Company borrowed US$34 million (CAD$45 million) and CAD$10 million on its bank credit facility. Concurrent with the borrowings, the Company entered into a cross-currency interest rate swap to reduce the interest cost associated with the borrowings under the credit facility. This swap was not designated as a hedge for accounting purposes. Refer to Note 15 – Fair Value for additional details on this arrangement.

A summary of our accounts receivable securitization program is as follows:

	February 29, 2020	August 31, 2019
Trade accounts receivable sold to buyer as security	**437**	434
Short-term borrowings from buyer	**(200)**	(40)
Over-collateralization	**237**	394

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Accounts receivable securitization program, beginning of period	**120**	40	**40**	40
Proceeds received from accounts receivable securitization	**80**	-	**160**	-
Repayment of accounts receivable securitization	**-**	-	**-**	-
Accounts receivable securitization program, end of period	**200**	40	**200**	40

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [1] $	Other $	Total $
September 1, 2019, as previously reported	78	142	83	303
Transition adjustments	-	-	(5)	(5)
Restated balance as at September 1, 2019	78	142	78	298
Additions	**-**	**-**	**11**	**11**
Accretion	**3**	**-**	**-**	**3**
Reversal	**-**	**-**	**(1)**	**(1)**
Payments	**-**	**(91)**	**(6)**	**(97)**
Balance as at February 29, 2020	**81**	**51**	**82**	**214**
Current	-	141	83	224
Long-term	78	1	-	79
Balance as at August 31, 2019	78	142	83	303
Current	**-**	**51**	**82**	**133**
Long-term	**81**	**-**	**-**	**81**
Balance as at February 29, 2020	**81**	**51**	**82**	**214**

(1) During fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative. A total of $91 has been paid in fiscal 2020. The remaining costs are expected to be paid out within the next 11 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. LONG-TERM DEBT

	February 29, 2020				August 31, 2019		
	Effective interest rates	Long-term debt at amortized cost(1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity	Long-term debt at amortized cost(1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity
	%	$	$	$	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	-	-	-	1,250	-	1,250
5.50% due December 7, 2020	5.55	-	-	-	499	1	500
3.15% due February 19, 2021	3.17	-	-	-	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,420**	**30**	**1,450**	1,420	30	1,450
3.30% due December 10, 2029	3.41	**495**	**5**	**500**	-	-	-
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	-	-	-
		4,001	**49**	**4,050**	5,258	42	5,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**-**	**50**	50	-	50
Total consolidated debt		**4,051**	**49**	**4,100**	5,308	42	5,350
Less current portion(2)		**1**	**-**	**1**	1,251	1	1,252
		4,050	**49**	**4,099**	4,057	41	4,098

(1) Long-term debt is presented net of unamortized discounts and finance costs.

(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

On November 21, 2019, the Company amended the terms of its bank credit facility to extend the maturity date to December 2024.The facility can be used for working capital and general corporate purposes.

On December 9, 2019 the Company issued $800 of senior notes, comprised of $500 principal amount of 3.30% senior notes due 2029 and $300 principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792, along with cash on hand, were used to fund the redemption of the $500 principal amount of 5.50% senior notes due 2020 and the $300 principal amount of 3.15% senior notes due 2021.

On December 24, 2019, the Company redeemed the $500 principal amount of 5.50% senior notes due December 7, 2020 and the $300 principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 and accrued interest of $5.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. SHARE CAPITAL

Changes in share capital during the six months ended February 29, 2020 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2019	22,372,064	2	494,389,771	4,310	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	240,733	6	-	-	-	-
Issued upon restricted share unit exercises	-	-	4,507	-	-	-	-	-
Issued pursuant to dividend reinvestment plan	-	-	1,445,494	37	-	-	-	-
Shares repurchased	-	-	(3,964,730)	(35)	-	-	-	-
February 29, 2020	**22,372,064**	**2**	**492,115,775**	**4,318**	**10,012,393**	**245**	**1,987,607**	**48**

Normal Course Issuer Bid

On October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange (“TSX”) to establish a normal course issuer bid (“NCIB”) program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares as at October 18, 2019.

During the six months ended February 29, 2020, the Company purchased 3,964,730 Class B Non-Voting Shares for cancellation for a total cost of approximately $105 under the NCIB. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $70 and was charged to retained earnings.

From March 1, 2020 to March 31, 2020, the Company purchased an additional 1,191,173 Class B Non-Voting Shares for cancellation for a total cost of approximately $25 under the NCIB.

Dividend Reinvestment Plan

On October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (the “DRIP”), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP were applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Numerator for basic and diluted earnings per share ($)				
Net income	**167**	154	**329**	339
Deduct: dividends on Preferred Shares	**(2)**	(2)	**(4)**	(4)
Net income attributable to common shareholders	**165**	152	**325**	335
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**516**	510	**517**	509
Effect of dilutive securities [1]	**-**	-	**-**	-
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**516**	510	**517**	509
Basic earnings per share ($)				
Basic and diluted	**0.32**	0.30	**0.63**	0.66

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and six months ended February 29, 2020, 5,852,922 (February 28, 2019 – 6,232,339) and 5,719,981 (February 28, 2019 - 6,592,503) options were excluded from the diluted earnings per share calculation, respectively.

11. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	**Contract Liabilities**
Balance as at September 1, 2019	158	238
Increase in contract assets from revenue recognized during the year	**138**	**-**
Contract assets transferred to trade receivables	**(84)**	**-**
Contract terminations transferred to trade receivables	**(8)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(227)**
Increase in contract liabilities during the year	**-**	**207**
Balance as at February 29, 2020	**204**	**218**

	Contract Assets	**Contract Liabilities**
Current	106	223
Long-term	52	15
Balance as at August 31, 2019	158	238
Current	**128**	**203**
Long-term	**76**	**15**
Balance as at February 29, 2020	**204**	**218**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the six months ended February 29, 2020. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

Balance as at September 1, 2019	94
Additions to deferred commission cost assets	**52**
Amortization recognized on deferred commission cost assets	**(40)**
Balance as at February 29, 2020	**106**

Current	59
Long-term	35
Balance as at August 31, 2019	94
Current	**61**
Long-term	**45**
Balance as at February 29, 2020	**106**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Services				
Wireline - Consumer(1)	**919**	933	**1,843**	1,878
Wireline - Business(1)	**144**	138	**287**	276
Wireless	**201**	168	**397**	334
	1,264	1,239	**2,527**	2,488
Equipment and other				
Wireless	**101**	78	**223**	184
	101	78	**223**	184
Intersegment eliminations	**(2)**	(2)	**(4)**	(3)
Total revenue	**1,363**	1,315	**2,746**	2,669

(1) As a result of a realignment of management responsibilities, revenues relating to the Wholesale TPIA Services and Broadcast Services operations, previously reported under the Business division are now reported as part of the Consumer division. Fiscal 2019 results have been restated to reflect this change.

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at February 29, 2020.

	Within 1 year	**Within 2 years**	**Total**
Wireline	2,241	958	3,199
Wireless	449	187	636
Total	**2,690**	**1,145**	**3,835**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

12. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Employee salaries and benefits[(1)]	**160**	173	**317**	335
Purchase of goods and services	**603**	594	**1,241**	1,243
	763	767	**1,558**	1,578

(1) For the three and six months ended February 29, 2020, employee salaries and benefits include $nil (2019 - $nil) and $nil (2019 - $1) in restructuring costs.

13. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended February 29, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	-	-	-
Share of other comprehensive income of associates	-	-	-
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(14)**	**4**	**(10)**
	(14)	**4**	**(10)**

Components of other comprehensive income and the related income tax effects for the six months ended February 29, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	-	-	-
Adjustment for hedged items recognized in the period	-	-	-
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(7)**	**2**	**(5)**
	(7)	**2**	**(5)**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Components of other comprehensive income and the related income tax effects for the three months ended February 28, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Adjustment for hedged items recognized in the period	(1)	-	(1)
Share of other comprehensive income of associates	(7)	-	(7)
	(8)	-	(8)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(12)	3	(9)
	(20)	3	(17)

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	1	-	1
Adjustment for hedged items recognized in the period	(1)	-	(1)
Share of other comprehensive income of associates	(6)	-	(6)
	(6)	-	(6)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	-	-	-
	(6)	-	(6)

Accumulated other comprehensive loss is comprised of the following:

	February 29, 2020	August 31, 2019
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	1
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(100)**	(95)
	(99)	(94)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. STATEMENTS OF CASH FLOWS

(i) Funds flow from continuing operations

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Net income from continuing operations	**167**	154	**329**	339
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**301**	264	**605**	527
Deferred income tax expense	**22**	19	**34**	39
Share-based compensation	**1**	1	**1**	2
Defined benefit pension plans	**3**	2	**1**	5
Equity income of an associate or joint venture	**-**	(3)	**-**	(26)
Net change in contract asset balances	**(17)**	-	**(45)**	(10)
Other	**19**	6	**21**	5
Funds flow from continuing operations	**496**	443	**946**	881

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Interest paid	**31**	24	**140**	111
Income taxes paid (net of refunds)	**68**	45	**102**	97
Interest received	**1**	2	**5**	3

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended		Six months ended	
	February 29, 2020	February 28, 2019	**February 29, 2020**	February 28, 2019
Issuance of Class B Non-Voting Shares:				
Dividend reinvestment plan	**-**	54	**37**	107

15. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	February 29, 2020		August 31, 2019	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,051**	**4,839**	5,308	6,014

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

During the quarter, the Company entered into a cross-currency interest rate swap with a member of the Company's lending syndicate with a notional amount of $34 USD for a term of one month. The swap requires that funds are exchanged back in one month at the same terms unless both parties agree to extend the swap for an additional month. By borrowing in US dollars, the Company may access lower interest rates. The swap mitigates the risk of changes in the value of the US Dollar LIBOR borrowings as it will be exchanged for the same Canadian equivalent in one month. The swap is not designated as a hedge for accounting purposes. The fair value of this cross-currency interest rate swap at February 29, 2020 is $nil and is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

[all amounts in millions of Canadian dollars, except share and per share amounts]

16. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2020 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2020 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2020 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2020 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2020 do not represent events or changes in circumstance that would be indicative of impairment at February 29, 2020.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2020, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	**Terminal growth rate**	**Terminal adjusted EBITDA multiple**
Cable	6.0%	0.5%	8.0x
Satellite	7.0%	-4.0%	6.7x
Wireless	7.0%	1.0%	5.3x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 29, 2020 and February 28, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal adjusted EBITDA multiple
Cable	15.0%	12.5%	6.2%
Satellite	7.8%	5.5%	7.4%
Wireless	18.2%	10.1%	9.4%

17. SUBSEQUENT EVENTS

Subsequent to February 29, 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. In response to the WHO declaration and continuing spread of COVID-19, several social distancing measures taken by the Company and third parties including governments, regulatory authorities, businesses and our customers that could negatively impact the Company's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with our future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has available liquidity of $1.5 billion and a certain degree of flexibility in its operating and investing plans to mitigate the impacts of COVID-19. Subsequent to February 29, 2020, the Company drew an additional $200 under its credit facility to add to its existing cash balance as at February 29, 2020.

This is Exhibit 36 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**November 30, 2019**	August 31, 2019
ASSETS		
Current		
Cash	**132**	1,446
Accounts receivable	**283**	287
Inventories	**91**	86
Other current assets *[note 4]*	**276**	291
Current portion of contract assets *[note 11]*	**117**	106
	899	2,216
Investments and other assets *[note 15]*	**38**	37
Property, plant and equipment	**6,195**	4,883
Other long-term assets	**205**	195
Deferred income tax assets	**1**	4
Intangibles	**7,972**	7,979
Goodwill	**280**	280
Contract assets *[note 11]*	**69**	52
	15,659	15,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**120**	40
Accounts payable and accrued liabilities	**914**	1,015
Provisions *[note 7]*	**183**	224
Income taxes payable	**72**	82
Current portion of contract liabilities *[note 11]*	**214**	223
Current portion of long-term debt *[notes 8 and 15]*	**1**	1,251
Current portion of lease liabilities *[notes 2 and 5]*	**113**	-
	1,617	2,835
Long-term debt *[notes 8 and 15]*	**4,058**	4,057
Lease liabilities *[notes 2 and 5]*	**1,193**	-
Other long-term liabilities	**64**	75
Provisions *[note 7]*	**80**	79
Deferred credits	**421**	425
Contract liabilities *[note 11]*	**15**	15
Deferred income tax liabilities	**1,924**	1,875
	9,372	9,361
Shareholders' equity *[notes 9 and 13]*		
Common and preferred shareholders	**6,287**	6,282
Non-controlling interests in subsidiaries	**-**	3
	6,287	6,285
	15,659	15,646

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2019**	2018
Revenue *[notes 3 and 11]*	**1,383**	1,354
Operating, general and administrative expenses *[note 12]*	**(795)**	(810)
Restructuring costs *[notes 7 and 12]*	**-**	(1)
Amortization:		
Deferred equipment revenue	**4**	6
Deferred equipment costs	**(18)**	(24)
Property, plant and equipment, intangibles and other	**(289)**	(244)
Operating income	**285**	281
Amortization of financing costs – long-term debt	**(1)**	(1)
Interest expense	**(71)**	(62)
Equity income of an associate or joint venture	**-**	23
Other losses	**(3)**	-
Income before income taxes	**210**	241
Current income tax expense *[note 3]*	**36**	35
Deferred income tax expense	**12**	20
Net income	**162**	186
Net income attributable to:		
Equity shareholders	**162**	186
Earnings per share: *[note 10]*		
Basic and diluted	**0.31**	0.36

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2019**	2018
Net income	**162**	186
Other comprehensive income *[note 13]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**-**	1
Share of other comprehensive income of associates	**-**	1
	-	2
Items that will not subsequently be reclassified to income:		
Remeasurements on employee benefit plans	**5**	9
	5	11
Comprehensive income	**167**	197
Comprehensive income attributable to:		
Equity shareholders	**167**	197

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Three months ended November 30, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
September 1, 2019, as previously reported	**4,605**	**26**	**1,745**	**(94)**	**6,282**	**3**	**6,285**
Transition adjustments - IFRIC 23 *[note 2]*	**-**	**-**	**(22)**	**-**	**(22)**	**-**	**(22)**
Restated balance as at September 1, 2019	**4,605**	**26**	**1,723**	**(94)**	**6,260**	**3**	**6,263**
Net income	**-**	**-**	**162**	**-**	**162**	**-**	**162**
Other comprehensive income	**-**	**-**	**-**	**5**	**5**	**-**	**5**
Comprehensive income	**-**	**-**	**162**	**5**	**167**	**-**	**167**
Dividends	**-**	**-**	**(118)**	**-**	**(118)**	**-**	**(118)**
Dividend reinvestment plan	**37**	**-**	**(37)**	**-**	**-**	**-**	**-**
Distributions declared to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Shares issued under stock option plan	**3**	**-**	**-**	**-**	**3**	**-**	**3**
Shares repurchased *[note 9]*	**(8)**	**-**	**(17)**	**-**	**(25)**	**-**	**(25)**
Balance as at November 30, 2019	**4,637**	**26**	**1,713**	**(89)**	**6,287**	**-**	**6,287**

Three months ended November 30, 2018

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2018	4,349	27	1,632	(39)	5,969	1	5,970
Net income	-	-	186	-	186	-	186
Other comprehensive income	-	-	-	11	11	-	11
Comprehensive income	-	-	186	11	197	-	197
Dividends	-	-	(102)	-	(102)	-	(102)
Dividend reinvestment plan	53	-	(53)	-	-	-	-
Shares issued under stock option plan	2	-	-	-	2	-	2
Share-based compensation	-	1	-	-	1	-	1
Balance as at November 30, 2018	4,404	28	1,663	(28)	6,067	1	6,068

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2019**	2018
OPERATING ACTIVITIES		
Funds flow from continuing operations *[note 14]*	**450**	438
Net change in non-cash balances	**(111)**	(147)
	339	291
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 3]*	**(270)**	(336)
Additions to equipment costs (net) *[note 3]*	**(11)**	(9)
Additions to other intangibles *[note 3]*	**(28)**	(34)
Net additions to investments and other assets	**(1)**	-
	(310)	(379)
FINANCING ACTIVITIES		
Increase in short-term borrowings	**80**	-
Net (repayment) issuance of long-term debt	**(1,250)**	993
Bank facility arrangement costs	**(1)**	(2)
Payment of lease liabilities	**(30)**	-
Issue of Class B Non-Voting Shares *[note 9]*	**3**	2
Purchase of Class B Non-Voting Shares for cancellation *[note 9]*	**(25)**	-
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(116)**	(98)
Dividends paid on Preferred Shares	**(2)**	(2)
Payment of distributions to non-controlling interests	**(2)**	-
	(1,343)	893
Increase (decrease) in cash	**(1,314)**	805
Cash, beginning of the period	**1,446**	384
Cash, end of the period	**132**	1,189

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The condensed interim consolidated financial statements of the Company for the three months ended November 30, 2019 were authorized for issue by the Audit Committee on January 12, 2020.

a) Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2019.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2019.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company recognizes a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low-value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

As a result of adopting IFRS 16, the Company recognized a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense, an increase to depreciation and amortization, due to the depreciation of the right-of-use asset, and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the previous standard, although actual cash flows are unaffected, the Company's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

Implementation
We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. We recognized lease liabilities at September 1, 2019 for leases previously classified as operating leases, measured at the present-value of the lease payments using our incremental borrowing rate at that date, with the corresponding right-of-use asset generally measured at an equal amount, adjusted for any prepaid or accrued rent outstanding as at August 31, 2019.

As permitted by IFRS 16, we applied certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:

- not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component;
- apply a single discount rate to a portfolio of leases with similar characteristics;
- exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019; and
- use hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

On transition, we have not elected the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and lease-by-lease basis, respectively, in the future.

There was no significant impact for contracts in which we are the lessor.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It was required to be applied for annual periods commencing January 1, 2019, which for the Company was the annual period commencing September 1, 2019. The cumulative effect of the initial application of the new standard has been reflected as an adjustment to retained earnings at September 1, 2019. Refer to "Transition adjustments" below for details.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Transition adjustments

Below is the effect of transition to IFRS 16 and the adoption of IFRIC 23 on our condensed consolidated Statement of Financial Position as at September 1, 2019.

(millions of Canadian dollars)	As reported as at August 31, 2019	Effect of IFRS 16 transition	Effect of IFRIC 23 transition	Subsequent to transition as at September 1, 2019
ASSETS				
Current				
Cash	1,446	-	-	1,446
Accounts receivable	287	-	-	287
Inventories	86	-	-	86
Other current assets	291	(16)	-	275
Current portion of contract assets	106	-	-	106
	2,216	(16)	-	2,200
Investments and other assets	37	-	-	37
Property, plant and equipment	4,883	1,338	-	6,221
Other long-term assets	195	-	-	195
Deferred income tax assets	4	-	-	4
Intangibles	7,979	-	-	7,979
Goodwill	280	-	-	280
Contract assets	52	-	-	52
	15,646	1,322	-	16,968
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	-	-	40
Accounts payable and accrued liabilities	1,015	-	-	1,015
Provisions	224	-	(5)	219
Income taxes payable	82	-	(11)	71
Current portion of contract liabilities	223	-	-	223
Current portion of long-term debt	1,251	-	-	1,251
Current portion of lease liabilities	-	113	-	113
	2,835	113	(16)	2,932
Long-term debt	4,057	-	-	4,057
Lease liabilities	-	1,211	-	1,211
Other long-term liabilities	75	(2)	-	73
Provisions	79	-	-	79
Deferred credits	425	-	-	425
Contract liabilities	15	-	-	15
Deferred income tax liabilities	1,875	-	38	1,913
	9,361	1,322	22	10,705
Shareholders' equity				-
Common and preferred shareholders	6,282	-	(22)	6,260
Non-controlling interests in subsidiaries	3	-	-	3
	6,285	-	(22)	6,263
	15,646	1,322	-	16,968

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Prior to adopting IFRS 16, our total minimum operating lease commitments as at August 31, 2019 was $919 million. The weighted average discount rate applied to the total lease liabilities was 3.50% at September 1, 2019. The difference between the total of the minimum lease payments set out in Note 27 in our 2019 Audited Financial Statements and the total lease liability recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at August 31, 2019;
- the effect of discounting on the minimum lease payments; and
- certain costs to which we are contractually committed under lease contracts but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

d) Fiscal 2019 Accounting Policies Updated for IFRS 16

Leases

The following accounting policy applies as of September 1, 2019 following the adoption of IFRS 16. Prior to September 1, 2019, IAS 17 was applied as disclosed in the Company's 2019 annual consolidated financial statements, as permitted by transition provisions of IFRS 16.

Leases are typically entered into for network infrastructure and equipment, including transponders, and land and buildings relating to the Company's wireless and wireline networks, office space and retail stores. At inception of a contract, the Company assesses whether the contract contains a lease. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under a residual value guarantee; and
- Payments relating to purchase options and renewal option periods that are reasonably certain to be exercised, or periods subject to termination options that are not reasonably certain to be exercised.

The initial lease term included in the measurement of the lease liability is comprised of:

- The non-cancellable period of the lease;
- Periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

Lease liabilities are subsequently measured at amortized cost using the effective interest method. Lease liabilities are remeasured when there is a lease modification, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The interest expense for lease liabilities is recorded in *Interest expense* in the Consolidated Statements of Income.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in *Operating, general and administrative expenses* in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company presents right-of-use assets in *Property, plant and equipment.*

If we obtain ownership of the leased asset by the end of the lease term or the costs of the right-of-use asset reflects the exercise of a purchase option, we depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term. Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements on the related lease liability. The depreciation charge for right-of-use assets is recorded in *Amortization – Property, plant and equipment.*

Significant Judgments and Estimates

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining whether a contract contains a lease, determining the contract term, including whether or not to exercise renewal or termination options, and determining the interest rate used for discounting future cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended November 30,	
	2019	2018
Revenue		
Wireline	**1,067**	1,083
Wireless	**318**	272
	1,385	1,355
Intersegment eliminations	**(2)**	(1)
	1,383	1,354
Adjusted EBITDA[1]		
Wireline	**517**	500
Wireless	**71**	44
	588	544
Restructuring costs	**-**	(1)
Amortization	**(303)**	(262)
Operating income	**285**	281
Current taxes		
Operating	**32**	50
Other/non-operating	**4**	(15)
	36	35

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses. We previously referred to this measure as "Operating income before restructuring and amortization" but have renamed it to better align with language used by various stakeholders of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended November 30,	
	2019	2018
Capital expenditures accrual basis		
Wireline	**194**	195
Wireless	**55**	66
	249	261
Equipment costs (net of revenue)		
Wireline	**11**	10
Capital expenditures and equipment costs (net)		
Wireline	**205**	205
Wireless	**55**	66
	260	271
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**270**	336
Additions to equipment costs (net)	**11**	9
Additions to other intangibles	**28**	34
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**309**	379
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**(49)**	(109)
Decrease in customer equipment financing receivables	**-**	1
Total capital expenditures and equipment costs (net) reported by segments	**260**	271

4. OTHER CURRENT ASSETS

	November 30, 2019	August 31, 2019
Prepaid expenses	**94**	108
Deferred commission costs(1)	**60**	59
Wireless handset receivables(2)	**122**	124
	276	291

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities for the three months ended November 30, 2019.

	2019
Balance as at September 1, 2019	1,324
Net additions	**12**
Interest on lease liabilities	**11**
Interest payments on lease liabilities	**(11)**
Principal payments of lease liabilities	**(30)**
Other	**-**
Balance as at November 30, 2019	**1,306**
Current	113
Long-term	1,211
Balance as at September 1, 2019	1,324
Current	**113**
Long-term	**1,193**
Balance as at November 30, 2019	**1,306**

6. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	November 30, 2019	August 31, 2019
Trade accounts receivable sold to buyer as security	**448**	434
Short-term borrowings from buyer	**(120)**	(40)
Over-collateralization	**328**	394

	Three months ended November 30,	
	2019	2018
Accounts receivable securitization program, beginning of period	**40**	40
Proceeds received from accounts receivable securitization	**80**	-
Repayment of accounts receivable securitization	**-**	-
Accounts receivable securitization program, end of period	**120**	40

On December 12, 2019, the Company drew an additional $80 under its accounts receivable securitization program with a Canadian financial institution, bringing the total amount drawn under the program to $200. The program is now fully drawn.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [1] $	Other $	Total $
September 1, 2019, as previously reported	78	142	83	303
Transition adjustments	-	-	(5)	(5)
Restated balance as at September 1, 2019	78	142	78	298
Additions	**-**	**-**	**6**	**6**
Accretion	**1**	**-**	**-**	**1**
Reversal	**-**	**-**	**(1)**	**(1)**
Payments	**-**	**(36)**	**(5)**	**(41)**
Balance as at November 30, 2019	**79**	**106**	**78**	**263**
Current	-	141	83	224
Long-term	78	1	-	79
Balance as at August 31, 2019	78	142	83	303
Current	**-**	**105**	**78**	**183**
Long-term	**79**	**1**	**-**	**80**
Balance as at November 30, 2019	**79**	**106**	**78**	**263**

(1) During fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative. A total of $36 has been paid in fiscal 2020. The remaining costs are expected to be paid out within the next 14 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. LONG-TERM DEBT

	November 30, 2019				August 31, 2019		
	Effective interest rates	**Long-term debt at amortized cost[(1)]**	**Adjustment for finance costs [(1)]**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost[(1)]	Adjustment for finance costs [(1)]	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	**-**	**-**	**-**	1,250	-	1,250
5.50% due December 7, 2020	5.55	**499**	**1**	**500**	499	1	500
3.15% due February 19, 2021	3.17	**300**	**-**	**300**	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**498**	**2**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,420**	**30**	**1,450**	1,420	30	1,450
		4,009	**41**	**4,050**	5,258	42	5,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**50**	**-**	**50**	50	-	50
Total consolidated debt		**4,059**	**41**	**4,100**	5,308	42	5,350
Less current portion[(2)]		**1**	**-**	**1**	1,251	1	1,252
		4,058	**41**	**4,099**	4,057	41	4,098

(1) Long-term debt is presented net of unamortized discounts and finance costs.

(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

On November 21, 2019, the Company amended the terms of its bank credit facility to extend the maturity date to December 2024.The facility can be used for working capital and general corporate purposes.

Subsequent to quarter-end, on December 9, 2019 the Company issued $800 of senior notes, comprised of $500 principal amount of 3.30% senior notes due 2029 and $300 principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792, along with cash on hand, were used to fund the redemption of the $500 principal amount of 5.50% senior notes due 2020 and the $300 principal amount of 3.15% senior notes due 2021.

On December 24, 2019, the Company redeemed the $500 principal amount of 5.50% senior notes due December 7, 2020 and the $300 principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 and accrued interest of $5.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. SHARE CAPITAL

Changes in share capital during the three months ended November 30, 2019 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2019	22,372,064	2	494,389,771	4,310	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	147,908	3	-	-	-	-
Issued pursuant to dividend reinvestment plan	-	-	1,445,494	37	-	-	-	-
Shares repurchased	-	-	(832,893)	(8)	-	-	-	-
November 30, 2019	**22,372,064**	**2**	**495,150,280**	**4,342**	**10,012,393**	**245**	**1,987,607**	**48**

Normal Course Issuer Bid

On October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange (“TSX”) to establish a normal course issuer bid (“NCIB”) program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Shares representing 5% of all of the issued and outstanding Class B Shares as at October 18, 2019.

During the three months ended November 30, 2019, the Company purchased 919,731 Class B Non-Voting Shares for cancellation for a total cost of approximately $25 under the NCIB. The average book value of the shares repurchased was $8.78 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $17 and was charged to retained earnings.

From December 1, 2019 to December 31, 2019, the Company purchased an additional 938,273 Class B Non-Voting Shares for cancellation for a total cost of approximately $25 under the NCIB.

Dividend Reinvestment Plan

On October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (the “DRIP”), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Shares delivered under the DRIP. These changes to the DRIP were applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended November 30,	
	2019	2018
Numerator for basic and diluted earnings per share ($)		
Net income	**162**	186
Deduct: dividends on Preferred Shares	**(2)**	(2)
Net income attributable to common shareholders	**160**	184
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**518**	507
Effect of dilutive securities [1]	**-**	1
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**518**	508
Basic earnings per share ($)		
Basic and diluted	**0.31**	0.36

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three months ended November 30, 2019, 4,966,252 (2018 – 6,976,976) options were excluded from the diluted earnings per share calculation.

11. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	**Contract Liabilities**
Balance as at September 1, 2019	158	238
Increase in contract assets from revenue recognized during the year	**72**	**-**
Contract assets transferred to trade receivables	**(40)**	**-**
Contract terminations transferred to trade receivables	**(4)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**225**
Increase in contract liabilities during the year	**-**	**(234)**
Balance as at November 30, 2019	**186**	**229**

	Contract Assets	**Contract Liabilities**
Current	106	223
Long-term	52	15
Balance as at August 31, 2019	158	238
Current	**117**	**214**
Long-term	**69**	**15**
Balance as at November 30, 2019	**186**	**229**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the three months ended November 30, 2019. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

Balance as at September 1, 2019	94
Additions to deferred commission cost assets	**28**
Amortization recognized on deferred commission cost assets	**(20)**
Balance as at November 30, 2019	**102**

Current	59
Long-term	35
Balance as at August 31, 2019	94
Current	**60**
Long-term	**42**
Balance as at November 30, 2019	**102**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended November 30,	
	2019	2018
Services		
Wireline - Consumer[(1)]	**924**	945
Wireline - Business[(1)]	**143**	138
Wireless	**196**	166
	1,263	1,249
Equipment and other		
Wireless	**122**	106
	122	106
Intersegment eliminations	**(2)**	(1)
Total revenue	**1,383**	1,354

(1) As a result of a realignment of management responsibilities, revenues relating to the Wholesale TPIA Services and Broadcast Services operations, previously reported under the Business division are now reported as part of the Consumer division. Fiscal 2019 results have been restated to reflect this change.

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at November 30, 2019.

	Within 1 year	**Within 2 years**	**Total**
Wireline	2,027	929	2,956
Wireless	397	156	553
Total	**2,424**	**1,085**	**3,509**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

12. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended November 30,	
	2019	2018
Employee salaries and benefits(1)	**157**	162
Purchase of goods and services	**638**	649
	795	811

(1) For the three months ended November 30, 2019, employee salaries and benefits include $nil (2018 - $1) in restructuring costs.

13. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**-**	**-**	**-**
Share of other comprehensive income of associates	**-**	**-**	**-**
	-	**-**	**-**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**7**	**(2)**	**5**
	7	**(2)**	**5**

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2018 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	1	-	1
Share of other comprehensive income of associates	1	-	1
	2	-	2
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	12	(3)	9
	14	(3)	11

Accumulated other comprehensive loss is comprised of the following:

	November 30, 2019	August 31, 2019
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	1
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(90)**	(95)
	(89)	(94)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. STATEMENTS OF CASH FLOWS

(i) Funds flow from continuing operations

	Three months ended November 30,	
	2019	2018
Net income from continuing operations	**162**	186
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**304**	263
Deferred income tax expense	**12**	20
Share-based compensation	**-**	1
Defined benefit pension plans	**(2)**	3
Equity income of an associate or joint venture	**-**	(23)
Net change in contract asset balances	**(28)**	(10)
Other	**2**	(2)
Funds flow from continuing operations	**450**	438

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended November 30,	
	2019	2018
Interest paid	**109**	87
Income taxes paid (net of refunds)	**34**	52
Interest received	**4**	1

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended November 30,	
	2019	2018
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan	**37**	53

15. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

The carrying values and estimated fair values of long-term debt and a contingent liability are as follows:

	November 30, 2019		August 31, 2019	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)(1)	**4,059**	**4,740**	5,308	6,014

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

16. SUBSEQUENT EVENTS

On December 9, 2019 the Company issued $800 of senior notes, comprised of $500 principal amount of 3.30% senior notes due 2029 and $300 principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792, along with cash on hand, were used to fund the redemption of the $500 principal amount of 5.50% senior notes due 2020 and the $300 principal amount of 3.15% senior notes due 2021.

On December 12, 2019, the Company drew an additional $80 under its accounts receivable securitization program with a Canadian financial institution, bringing the total amount drawn under the program to $200. The program is now fully drawn.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2019 and 2018
[all amounts in millions of Canadian dollars, except share and per share amounts]

On December 24, 2019, the Company redeemed the $500 principal amount of 5.50% senior notes due December 7, 2020 and the $300 principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 and accrued interest of $5.

From December 1, 2019 to December 31, 2019, the Company purchased an additional 938,273 Class B Non-Voting Shares for cancellation for a total cost of approximately $25 under the NCIB.

This is Exhibit 37 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**May 31, 2020**	August 31, 2019
ASSETS		
Current		
Cash	**651**	1,446
Accounts receivable	**271**	287
Inventories	**82**	86
Other current assets *[note 4]*	**264**	291
Current portion of contract assets *[note 12]*	**126**	106
	1,394	2,216
Investments and other assets *[note 16]*	**42**	37
Property, plant and equipment	**6,166**	4,883
Other long-term assets	**176**	195
Deferred income tax assets	**1**	4
Intangibles	**7,976**	7,979
Goodwill	**280**	280
Contract assets *[note 12]*	**57**	52
	16,092	15,646
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**250**	40
Accounts payable and accrued liabilities	**897**	1,015
Provisions *[note 7]*	**101**	224
Income taxes payable	**34**	82
Current portion of contract liabilities *[note 12]*	**208**	223
Current portion of long-term debt *[notes 8 and 16]*	**1**	1,251
Current portion of lease liabilities *[notes 2 and 5]*	**112**	-
	1,603	2,835
Long-term debt *[notes 8 and 16]*	**4,546**	4,057
Lease liabilities *[notes 2 and 5]*	**1,168**	-
Other long-term liabilities *[note 9]*	**31**	75
Provisions *[note 7]*	**83**	79
Deferred credits	**411**	425
Contract liabilities *[note 12]*	**14**	15
Deferred income tax liabilities	**1,987**	1,875
	9,843	9,361
Shareholders' equity *[notes 10 and 14]*		
Common and preferred shareholders	**6,249**	6,282
Non-controlling interests in subsidiaries	**-**	3
	6,249	6,285
	16,092	15,646

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2020**	2019	**2020**	2019
Revenue *[notes 3 and 12]*	**1,312**	1,322	**4,058**	3,990
Operating, general and administrative expenses *[note 13]*	**(703)**	(794)	**(2,261)**	(2,371)
Restructuring costs *[notes 7 and 13]*	**(14)**	-	**(14)**	(1)
Amortization:				
Deferred equipment revenue	**4**	5	**13**	16
Deferred equipment costs	**(16)**	(21)	**(51)**	(66)
Property, plant and equipment, intangibles and other	**(290)**	(247)	**(867)**	(738)
Operating income	**293**	265	**878**	830
Amortization of financing costs – long-term debt	**-**	(1)	**(2)**	(2)
Interest expense	**(67)**	(62)	**(206)**	(192)
Equity income of an associate or joint venture	**-**	20	**-**	46
Loss on disposal of an associate or joint venture	**-**	(109)	**-**	(109)
Other gains (losses) *[note 9]*	**7**	53	**(15)**	48
Income before income taxes	**233**	166	**655**	621
Current income tax expense *[note 3]*	**19**	8	**78**	85
Deferred income tax expense	**30**	(69)	**64**	(30)
Net income	**184**	227	**513**	566
Net income attributable to:				
Equity shareholders	**184**	225	**513**	564
Non-controlling interests	**-**	2	**-**	2
	184	227	**513**	566
Earnings per share: *[note 11]*				
Basic and diluted	**0.35**	0.43	**0.98**	1.09

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2020**	2019	**2020**	2019
Net income	**184**	227	**513**	566
Other comprehensive income *[note 14]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	2	**2**	3
Adjustment for hedged items recognized in the period	**(1)**	(1)	**(1)**	(2)
Share of other comprehensive loss of associates	**-**	(7)	**-**	(13)
Reclassification of accumulated gain to income related to the sale of an associate	**-**	(3)	**-**	(3)
	-	(9)	**1**	(15)
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**40**	(25)	**34**	(25)
	40	(34)	**35**	(40)
Comprehensive income	**224**	193	**548**	526
Comprehensive income attributable to:				
Equity shareholders	**224**	191	**548**	524
Non-controlling interests	**-**	2	**-**	2
	224	193	**548**	526

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Nine months ended May 31, 2020

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
September 1, 2019, as previously reported	**4,605**	**26**	**1,745**	**(94)**	**6,282**	**3**	**6,285**
Transition adjustments - IFRIC 23 *[note 2]*	**-**	**-**	**(22)**	**-**	**(22)**	**-**	**(22)**
Restated balance as at September 1, 2019	**4,605**	**26**	**1,723**	**(94)**	**6,260**	**3**	**6,263**
Net income	**-**	**-**	**513**	**-**	**513**	**-**	**513**
Other comprehensive income	**-**	**-**	**-**	**35**	**35**	**-**	**35**
Comprehensive income	**-**	**-**	**513**	**35**	**548**	**-**	**548**
Dividends	**-**	**-**	**(426)**	**-**	**(426)**	**-**	**(426)**
Dividend reinvestment plan	**37**	**-**	**(37)**	**-**	**-**	**-**	**-**
Distributions declared to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(3)**	**(3)**
Shares issued under stock option plan	**6**	**-**	**-**	**-**	**6**	**-**	**6**
Shares repurchased *[note 10]*	**(49)**	**-**	**(91)**	**-**	**(140)**	**-**	**(140)**
Share-based compensation	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Balance as at May 31, 2020	**4,599**	**27**	**1,682**	**(59)**	**6,249**	**-**	**6,249**

Nine months ended May 31, 2019

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2018	4,349	27	1,632	(39)	5,969	1	5,970
Net income	-	-	564	-	564	2	566
Other comprehensive income	-	-	-	(40)	(40)	-	(40)
Comprehensive income	-	-	564	(40)	524	2	526
Dividends	-	-	(301)	-	(301)	-	(301)
Dividend reinvestment plan	161	-	(161)	-	-	-	-
Shares issued under stock option plan	37	(4)	-	-	33	-	33
Share-based compensation	-	2	-	-	2	-	2
Balance as at May 31, 2019	4,547	25	1,734	(79)	6,227	3	6,230

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2020**	2019	**2020**	2019
OPERATING ACTIVITIES				
Funds flow from continuing operations *[note 15]*	**541**	469	**1,487**	1,349
Net change in non-cash balances	**47**	(37)	**(199)**	(216)
	588	432	**1,288**	1,133
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(224)**	(271)	**(742)**	(827)
Additions to equipment costs (net) *[note 3]*	**(5)**	(11)	**(23)**	(30)
Additions to other intangibles *[note 3]*	**(32)**	(29)	**(96)**	(82)
Spectrum acquisitions	**-**	(492)	**-**	(492)
Proceeds on sale of investments	**-**	551	**-**	551
Net additions to investments and other assets	**-**	4	**(5)**	7
Proceeds on disposal of property, plant and equipment	**-**	46	**1**	59
	(261)	(202)	**(865)**	(814)
FINANCING ACTIVITIES				
Increase (decrease) in short-term borrowings	**(5)**	-	**210**	-
Issuance of long-term debt	**500**	-	**1,300**	1,000
Repayment of long-term debt	**-**	-	**(2,068)**	-
Bank facility and long-term debt costs	**(4)**	-	**(14)**	(9)
Payment of lease liabilities	**(25)**	-	**(82)**	-
Issue of Class B Non-Voting Shares *[note 10]*	**1**	10	**6**	33
Purchase of Class B Non-Voting Shares for cancellation *[note 10]*	**(35)**	-	**(140)**	-
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(152)**	(97)	**(421)**	(292)
Dividends paid on Preferred Shares	**(3)**	(3)	**(7)**	(7)
Payment of distributions to non-controlling interests	**-**	-	**(2)**	-
Other	**-**	(1)	**-**	(1)
	277	(91)	**(1,218)**	724
Increase (decrease) in cash	**604**	139	**(795)**	1,043
Cash, beginning of the period	**47**	1,288	**1,446**	384
Cash, end of the period	**651**	1,427	**651**	1,427

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and New York Stock Exchange ("NYSE") (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These unaudited interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

The unaudited interim consolidated financial statements of the Company for the three and nine months ended May 31, 2020 were authorized for issue by the Board of Directors on July 10, 2020.

a) Basis of presentation

These unaudited interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

Certain comparative figures have been reclassified to conform to the current period's presentation.

The notes presented in these unaudited interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these unaudited interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2019.

In March 2020, the World Health Organization (WHO) declared COVID-19 a pandemic. In response to the WHO declaration and continuing spread of COVID-19, several social distancing measures were taken by the Company and third parties including governments, regulatory authorities, businesses and our customers that could negatively impact the Company's operations and financial results in future periods. Given the unprecedented and pervasive impact of changing circumstances surrounding the COVID-19 pandemic, there is inherently more uncertainty associated with our future operating assumptions and expectations as compared to prior periods. As such, it is not possible to estimate the impacts COVID-19 will have on the Company's financial position or results of operations in future periods. While the direct impacts of COVID-19 are not determinable at this time, the Company has available liquidity of $1.5 billion and a certain degree of flexibility in its operating and investing plans to mitigate the impacts of COVID-19.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

The unaudited interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements except as noted below.

b) New accounting standards

We adopted the following new accounting standards effective September 1, 2019.

- IFRS 16 *Leases* was issued on January 2016 and replaces IAS 17 *Leases*. The new standard requires entities to recognize lease assets and lease obligations on the balance sheet. For lessees, IFRS 16 removes the classification of leases as either operating leases or finance leases, instead requiring that leases be capitalized by recognizing the present value of the lease payments and showing them as lease assets (right-of-use assets) and representing the right to use the underlying leased asset. If lease payments are made over time, the Company recognizes a lease liability representing its obligation to make future lease payments. Certain short-term leases (less than 12 months) and leases of low value may be exempted from the requirements and may continue to be treated as operating leases if certain elections are made. Lessors will continue with a dual lease classification model. Classification will determine how and when a lessor will recognize lease revenue, and what assets would be recorded.

  As a result of adopting IFRS 16, the Company recognized a significant increase to both assets and liabilities on our Consolidated Statements of Financial Position as well as a decrease to operating costs, as a result of removing the lease expense, an increase to depreciation and amortization, due to the depreciation of the right-of-use asset, and an increase to finance costs, due to the accretion of the lease liability. Relative to the results of applying the previous standard, although actual cash flows are unaffected, the Company's statement of cash flows will reflect increases in cash flows from operating activities offset equally by decreases in cash flows from financing activities.

  Implementation
  We adopted IFRS 16 using a modified retrospective approach whereby the financial statements of prior periods presented are not restated. We recognized lease liabilities at September 1, 2019 for leases previously classified as operating leases, measured at the present-value of the lease payments using our incremental borrowing rate at that date, with the corresponding right-of-use asset generally measured at an equal amount, adjusted for any prepaid or accrued rent outstanding as at August 31, 2019.

  As permitted by IFRS 16, we applied certain practical expedients to facilitate the initial adoption and ongoing application of IFRS 16 including the following:
  - not separate fixed non-lease components from lease components for certain classes of underlying assets. Each lease component and any associated non-lease components will be accounted for as a single lease component;
  - apply a single discount rate to a portfolio of leases with similar characteristics;
  - exclude initial direct costs from measuring the right-of-use asset as at September 1, 2019; and
  - use hindsight in determining the lease term where the contract contains purchase, extension, or termination options.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

On transition, we have not elected the recognition exemptions on short-term leases or low-value leases; however, we may choose to elect these recognition exemptions on a class-by-class basis for new classes and on a lease-by-lease basis, respectively, in the future.

In December 2019, the IFRS Interpretations Committee issued a final agenda decision in regards to the determination of the lease term for cancellable or renewable leases under IFRS 16. The Company is currently assessing the impact of this interpretation on its financial statements.

There was no significant impact for contracts in which we are the lessor.

- IFRIC 23 *Uncertainty over Income Tax Treatments* was issued in 2017 to clarify how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. It was required to be applied for annual periods commencing January 1, 2019, which for the Company was the annual period commencing September 1, 2019. The cumulative effect of the initial application of the new standard has been reflected as an adjustment to retained earnings at September 1, 2019. Refer to "Transition adjustments" below for details.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

c) Transition adjustments

Below is the effect of transition to IFRS 16 and the adoption of IFRIC 23 on our condensed consolidated Statement of Financial Position as at September 1, 2019.

(millions of Canadian dollars)	As reported as at August 31, 2019	Effect of IFRS 16 transition	Effect of IFRIC 23 transition	Subsequent to transition as at September 1, 2019
ASSETS				
Current				
Cash	1,446	-	-	1,446
Accounts receivable	287	-	-	287
Inventories	86	-	-	86
Other current assets	291	(16)	-	275
Current portion of contract assets	106	-	-	106
	2,216	(16)	-	2,200
Investments and other assets	37	-	-	37
Property, plant and equipment	4,883	1,338	-	6,221
Other long-term assets	195	-	-	195
Deferred income tax assets	4	-	-	4
Intangibles	7,979	-	-	7,979
Goodwill	280	-	-	280
Contract assets	52	-	-	52
	15,646	1,322	-	16,968
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Short-term borrowings	40	-	-	40
Accounts payable and accrued liabilities	1,015	-	-	1,015
Provisions	224	-	(5)	219
Income taxes payable	82	-	(11)	71
Current portion of contract liabilities	223	-	-	223
Current portion of long-term debt	1,251	-	-	1,251
Current portion of lease liabilities	-	113	-	113
	2,835	113	(16)	2,932
Long-term debt	4,057	-	-	4,057
Lease liabilities	-	1,211	-	1,211
Other long-term liabilities	75	(2)	-	73
Provisions	79	-	-	79
Deferred credits	425	-	-	425
Contract liabilities	15	-	-	15
Deferred income tax liabilities	1,875	-	38	1,913
	9,361	1,322	22	10,705
Shareholders' equity				
Common and preferred shareholders	6,282	-	(22)	6,260
Non-controlling interests in subsidiaries	3	-	-	3
	6,285	-	(22)	6,263
	15,646	1,322	-	16,968

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Prior to adopting IFRS 16, our total minimum operating lease commitments as at August 31, 2019 was $919 million. The weighted average discount rate applied to the total lease liabilities was 3.50% at September 1, 2019. The difference between the total of the minimum lease payments set out in Note 27 in our 2019 Audited Financial Statements and the total lease liability recognized on transition was a result of:

- the inclusion of lease payments beyond minimum commitments relating to reasonably certain renewal periods or extension options that had not yet been exercised as at August 31, 2019;
- the effect of discounting on the minimum lease payments; and
- certain costs to which we are contractually committed under lease contracts, but which do not qualify to be accounted for as a lease liability, such as variable lease payments not tied to an index or rate.

d) Fiscal 2019 Accounting Policies Updated for IFRS 16

Leases

The following accounting policy applies as of September 1, 2019 following the adoption of IFRS 16. Prior to September 1, 2019, IAS 17 was applied as disclosed in the Company's 2019 annual consolidated financial statements, as permitted by transition provisions of IFRS 16.

Leases are typically entered into for network infrastructure and equipment, including transponders, and land and buildings relating to the Company's wireless and wireline networks, office space and retail stores. At inception of a contract, the Company assesses whether the contract contains a lease. A lease contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the identified asset.

Lease liabilities are initially measured at the present value of future lease payments at the commencement date, discounted using the interest rate implicit in the lease or, if not readily determinable, the Company's incremental borrowing rate. A single incremental borrowing rate is applied to a portfolio of leases with similar characteristics.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under a residual value guarantee; and
- Payments relating to purchase options and renewal option periods that are reasonably certain to be exercised, or periods subject to termination options that are not reasonably certain to be exercised.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

The initial lease term included in the measurement of the lease liability is comprised of:
- The non-cancellable period of the lease;
- Periods covered by options to extend the lease, where the Company is reasonably certain to exercise the option; and
- Periods covered by options to terminate the lease, where the Company is reasonably certain not to exercise the option.

Lease liabilities are subsequently measured at amortized cost. Lease liabilities are remeasured when there is a lease modification, and a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The interest expense for lease liabilities is recorded in *Interest expense* in the Consolidated Statements of Income.

Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. The related payments are expensed in *Operating, general and administrative expenses* in the period in which the event or condition that triggers those payments occurs.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company presents right-of-use assets in *Property, plant and equipment.*

If the company obtains ownership of the leased asset by the end of the lease term or the costs of the right-of-use asset reflects the exercise of a purchase option, we depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, right-of-use assets are depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life or the end of the lease term. Right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements on the related lease liability. The depreciation charge for right-of-use assets is recorded in *Amortization – Property, plant and equipment.*

Significant Judgments and Estimates

The application of IFRS 16 requires the Company to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining whether a contract contains a lease, determining the contract term, including whether or not to exercise renewal or termination options, and determining the interest rate used for discounting future cash flows.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, Wi-Fi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Revenue				
Wireline	**1,063**	1,075	**3,193**	3,229
Wireless	**252**	249	**872**	766
	1,315	1,324	**4,065**	3,995
Intersegment eliminations	**(3)**	(2)	**(7)**	(5)
	1,312	1,322	**4,058**	3,990
Adjusted EBITDA[1]				
Wireline	**508**	475	**1,544**	1,472
Wireless	**101**	53	**253**	147
	609	528	**1,797**	1,619
Restructuring costs	**(14)**	-	**(14)**	(1)
Amortization	**(302)**	(263)	**(905)**	(788)
Operating income	**293**	265	**878**	830
Current taxes				
Operating	**18**	10	**72**	80
Other/non-operating	**1**	(2)	**6**	5
	19	8	**78**	85

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses. We previously referred to this measure as "Operating income before restructuring and amortization" but have renamed it to better align with language used by various stakeholders of the Company.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Capital expenditures accrual basis				
Wireline	**190**	182	**599**	562
Wireless	**73**	87	**181**	237
	263	269	**780**	799
Equipment costs (net of revenue)				
Wireline	**5**	11	**24**	31
Capital expenditures and equipment costs (net)				
Wireline	**195**	193	**623**	593
Wireless	**73**	87	**181**	237
	268	280	**804**	830
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**224**	271	**742**	827
Additions to equipment costs (net)	**5**	11	**23**	30
Additions to other intangibles	**32**	29	**96**	82
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**261**	311	**861**	939
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**7**	15	**(56)**	(51)
Decrease in customer equipment financing receivables	**-**	-	**-**	1
Less: Proceeds on disposal of property, plant and equipment	**-**	(46)	**(1)**	(59)
Total capital expenditures and equipment costs (net) reported by segments	**268**	280	**804**	830

4. OTHER CURRENT ASSETS

	May 31, 2020	August 31, 2019
Prepaid expenses	**84**	108
Deferred commission costs(1)	**62**	59
Wireless handset receivables(2)	**118**	124
	264	291

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2019, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities for the nine months ended May 31, 2020.

	2020
Balance as at September 1, 2019	1,324
Net additions	**39**
Interest on lease liabilities	**33**
Interest payments on lease liabilities	**(33)**
Principal payments of lease liabilities	**(83)**
Other	**-**
Balance as at May 31, 2020	**1,280**

Current	113
Long-term	1,211
Balance as at September 1, 2019	1,324
Current	**112**
Long-term	**1,168**
Balance as at May 31, 2020	**1,280**

6. SHORT-TERM BORROWINGS

	May 31, 2020	August 31, 2019
Credit facility	**50**	-
Accounts receivable securitization program	**200**	40
	250	40

As at May 31, 2020, the Company had drawn $50 million on its bank credit facility.

A summary of our accounts receivable securitization program is as follows:

	May 31, 2020	August 31, 2019
Trade accounts receivable sold to buyer as security	**439**	434
Short-term borrowings from buyer	**(200)**	(40)
Over-collateralization	**239**	394

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Accounts receivable securitization program, beginning of period	**200**	40	**40**	40
Proceeds received from accounts receivable securitization		-	**160**	-
Repayment of accounts receivable securitization	**-**	-	**-**	-
Accounts receivable securitization program, end of period	**200**	40	**200**	40

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [1][2] $	Other $	Total $
September 1, 2019, as previously reported	78	142	83	303
Transition adjustments	-	-	(5)	(5)
Restated balance as at September 1, 2019	78	142	78	298
Additions	**-**	**14**	**16**	**30**
Accretion	**5**	**-**	**-**	**5**
Reversal	**-**	**-**	**(1)**	**(1)**
Transfer to Misc AR	**-**	**-**	**(1)**	**(1)**
Payments	**-**	**(138)**	**(9)**	**(147)**
Balance as at May 31, 2020	**83**	**18**	**83**	**184**
Current	-	141	83	224
Long-term	78	1	-	79
Balance as at August 31, 2019	78	142	83	303
Current	**-**	**18**	**83**	**101**
Long-term	**83**	**-**	**-**	**83**
Balance as at May 31, 2020	**83**	**18**	**83**	**184**

(1) During fiscal 2018, the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative. A total of $127 has been paid in fiscal 2020. The remaining costs are expected to be paid out within the next 8 months.

(2) During fiscal 2020, the Company restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. In connection with the restructuring, the Company recorded $14 in the third quarter primarily related to severance and employee related costs, of which $12 has been paid as at May 31, 2020. The remaining costs are expected to be paid within the next 3 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. LONG-TERM DEBT

	May 31, 2020				August 31, 2019		
	Effective interest rates	Long-term debt at amortized cost(1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity	Long-term debt at amortized cost(1)	Adjustment for finance costs (1)	Long-term debt repayable at maturity
	%	$	$	$	$	$	$
Corporate							
Cdn fixed rate senior notes-							
5.65% due October 1, 2019	5.69	-	-	-	1,250	-	1,250
5.50% due December 7, 2020	5.55	-	-	-	499	1	500
3.15% due February 19, 2021	3.17	-	-	-	299	1	300
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	498	2	500
3.80% due March 1, 2027	3.84	**298**	**2**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	-	-	-
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,420	30	1,450
3.30% due December 10, 2029	3.41	**495**	**5**	**500**	-	-	-
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	-	-	-
		4,499	**51**	**4,550**	5,258	42	5,300
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**48**	**-**	**48**	50	-	50
Total consolidated debt		**4,547**	**51**	**4,598**	5,308	42	5,350
Less current portion(2)		**1**	**-**	**1**	1,251	1	1,252
		4,546	**51**	**4,597**	4,057	41	4,098

(1) Long-term debt is presented net of unamortized discounts and finance costs.

(2) Current portion of long-term debt includes amounts due within one year in respect of senior notes due October 1, 2019 and the Burrard Landing loans.

On October 1, 2019, the Company repaid $1,250 of 5.65% senior notes at their maturity.

On November 21, 2019, the Company amended the terms of its bank credit facility to extend the maturity date to December 2024.The facility can be used for working capital and general corporate purposes.

On December 9, 2019 the Company issued $800 of senior notes, comprised of $500 principal amount of 3.30% senior notes due 2029 and $300 principal amount of 4.25% senior notes due 2049. The net proceeds of the offering of $792, along with cash on hand, were used to fund the redemption of the $500 principal amount of 5.50% senior notes due 2020 and the $300 principal amount of 3.15% senior notes due 2021.

On December 24, 2019, the Company redeemed the $500 principal amount of 5.50% senior notes due December 7, 2020 and the $300 principal amount of 3.15% senior notes due February 19, 2021. In conjunction with the redemption, the Company paid make whole premiums of $17 and accrued interest of $5.

On April 22, 2020 the Company issued $500 principal amount of senior notes at a rate of 2.90% due December 9, 2030.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. OTHER LONG-TERM LIABILITIES

	May 31, 2020	August 31, 2019
Pension liabilities(1)	**27**	69
Post retirement liabilities	**4**	4
Other	**-**	2
	31	75

(1) In the third quarter of the fiscal year, the accumulated benefit obligation of the Supplemental Executive Retirement Plan was adjusted by $54 as a result of a 30 bps increase in the discount rate from August 31, 2019 as well as changes in demographic assumptions. The cost and related accrued benefit obligation of the Company's non-registered pension plans are determined using actuarial valuations. The actuarial valuations involve estimates and actuarial assumptions including discount rates and rate of compensation increase (financial assumptions) as well as mortality rates and retirement rates (demographic assumptions). Due to the long-term nature of the non-registered pension plans, such estimates are subject to significant uncertainty. Remeasurements related to the effect of experience adjustments arise when the non-registered pension plans' experience differs from the experience expected using the actuarial assumptions.

10. SHARE CAPITAL

Changes in share capital during the nine months ended May 31, 2020 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2019	22,372,064	2	494,389,771	4,310	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	260,233	6	-	-	-	-
Issued upon restricted share unit exercises	-	-	4,507	-	-	-	-	-
Issued pursuant to dividend reinvestment plan	-	-	1,445,494	37	-	-	-	-
Shares repurchased	-	-	(5,614,672)	(49)	-	-	-	-
May 31, 2020	**22,372,064**	**2**	**490,485,333**	**4,304**	**10,012,393**	**245**	**1,987,607**	**48**

Normal Course Issuer Bid

On October 29, 2019, the Company announced that it had received approval from the Toronto Stock Exchange ("TSX") to establish a normal course issuer bid ("NCIB") program. The program commenced on November 1, 2019 and will remain in effect until October 31, 2020. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,758,127 Class B Non-Voting Shares representing 5% of all of the issued and outstanding Class B Non-Voting Shares as at October 18, 2019.

During the nine months ended May 31, 2020, the Company purchased 5,614,672 Class B Non-Voting Shares for cancellation for a total cost of approximately $140 under the NCIB. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $91 and was charged to retained earnings. The Company suspended the program in April 2020.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Dividend Reinvestment Plan

On October 24, 2019, in accordance with the terms of our Dividend Reinvestment Plan (the "DRIP"), the Company announced that in lieu of issuing shares from treasury, it will satisfy its share delivery obligations under the DRIP by purchasing Class B Non-Voting Shares on the open market. In addition, the Company reduced its discount from 2% to 0% for the Class B Non-Voting Shares delivered under the DRIP. These changes to the DRIP were applied to the dividends payable on November 28, 2019 to shareholders of record on November 15, 2019.

11. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Numerator for basic and diluted earnings per share ($)				
Net income	**184**	227	**513**	566
Deduct: net income attributable to non-controlling interests in subsidiaries	**-**	(2)	**-**	(2)
Deduct: dividends on Preferred Shares	**(3)**	(3)	**(7)**	(7)
Net income attributable to common shareholders	**181**	222	**506**	557
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**513**	512	**516**	510
Effect of dilutive securities [(1)]	**-**	-	**-**	-
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**513**	512	**516**	510
Basic earnings per share ($)				
Basic and diluted	**0.35**	0.43	**0.98**	1.09

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and nine months ended May 31, 2020, 7,523,834 (May 31, 2019 – 4,602,448) and 6,619,109 (May 31, 2019 - 6,226,089) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at September 1, 2019	158	238
Increase in contract assets from revenue recognized during the year	**166**	**-**
Contract assets transferred to trade receivables	**(128)**	**-**
Contract terminations transferred to trade receivables	**(13)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(229)**
Increase in contract liabilities during the year	**-**	**213**
Balance as at May 31, 2020	**183**	**222**

	Contract Assets	Contract Liabilities
Current	106	223
Long-term	52	15
Balance as at August 31, 2019	158	238
Current	**126**	**208**
Long-term	**57**	**14**
Balance as at May 31, 2020	**183**	**222**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the nine months ended May 31, 2020. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

Balance as at September 1, 2019	94
Additions to deferred commission cost assets	**67**
Amortization recognized on deferred commission cost assets	**(60)**
Balance as at May 31, 2020	**101**

Current	59
Long-term	35
Balance as at August 31, 2019	94
Current	**62**
Long-term	**39**
Balance as at May 31, 2020	**101**

Commission costs are amortized over a period ranging from 24 to 36 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Disaggregation of revenue

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Services				
Wireline - Consumer[(1)]	**923**	935	**2,766**	2,813
Wireline - Business[(1)]	**140**	140	**427**	416
Wireless	**206**	176	**604**	508
	1,269	1,251	**3,797**	3,737
Equipment and other				
Wireless	**46**	73	**268**	258
	46	73	**268**	258
Intersegment eliminations	**(3)**	(2)	**(7)**	(5)
Total revenue	**1,312**	1,322	**4,058**	3,990

(1) As a result of a realignment of management responsibilities, revenues relating to the Wholesale TPIA Services and Broadcast Services operations, previously reported under the Business division are now reported as part of the Consumer division. Fiscal 2019 results have been restated to reflect this change.

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at May 31, 2020.

	Within 1 year	**Within 2 years**	**Total**
Wireline	2,658	936	3,594
Wireless	423	137	560
Total	**3,081**	**1,073**	**4,154**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer.

13. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Employee salaries and benefits[(1)]	**166**	176	**483**	511
Purchase of goods and services	**551**	618	**1,792**	1,861
	717	794	**2,275**	2,372

(1) For the three and nine months ended May 31, 2020, employee salaries and benefits include $14 (2019 - $nil) and $14 (2019 - $1) in restructuring costs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	**(1)**	**1**
Share of other comprehensive income of associates	**(2)**	**1**	**(1)**
	-	**-**	**-**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**54**	**(14)**	**40**
	54	**(14)**	**40**

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	**-**	**2**
Adjustment for hedged items recognized in the period	**(2)**	**1**	**(1)**
	-	**1**	**1**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**47**	**(13)**	**34**
	47	**(12)**	**35**

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	3	(1)	2
Adjustment for hedged items recognized in the period	(2)	1	(1)
Share of other comprehensive income of associates	(7)	-	(7)
Reclassification of accumulated loss to income related to the sale of an associate	(3)	-	(3)
	(9)	-	(9)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(33)	8	(25)
	(42)	8	(34)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	4	(1)	3
Adjustment for hedged items recognized in the period	(3)	1	(2)
Share of other comprehensive income of associates	(13)	-	(13)
Reclassification of accumulated loss to income related to the sale of an associate	(3)	-	(3)
	(15)	-	(15)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(33)	8	(25)
	(48)	8	(40)

Accumulated other comprehensive loss is comprised of the following:

	May 31, 2020	August 31, 2019
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	1
Share of other comprehensive income of associates	**-**	18
Reclassification of accumulated gain from other comprehensive income related to the sale of an associate	**-**	(18)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(60)**	(95)
	(59)	(94)

15. STATEMENTS OF CASH FLOWS

(i) Funds flow from continuing operations

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Net income from continuing operations	**184**	227	**513**	566
Adjustments to reconcile net income to funds flow from continuing operations:				
Amortization	**302**	264	**907**	790
Deferred income tax expense (recovery)	**30**	(69)	**64**	(30)
Share-based compensation	**-**	-	**1**	2
Defined benefit pension plans	**3**	3	**4**	9
Equity income of an associate or joint venture	**-**	(20)	**-**	(46)
Loss on disposal of an associate or joint venture	**-**	109	**-**	109
Gain on sale of investments	**-**	(15)	**-**	(15)
Net change in contract asset balances	**20**	9	**(25)**	(1)
Gain on disposal of fixed assets	**-**	(40)	**-**	(36)
Other	**2**	1	**23**	1
Funds flow from continuing operations	**541**	469	**1,487**	1,349

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Interest paid	**77**	109	**217**	220
Income taxes paid (net of refunds)	**13**	29	**115**	126
Interest received	**1**	1	**6**	4

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended May 31,		Nine months ended May 31,	
	2020	2019	**2020**	2019
Issuance of Class B Non-Voting Shares:				
Dividend reinvestment plan	**-**	54	**37**	161

16. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	May 31, 2020		August 31, 2019	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)(1)	**4,547**	**5,339**	5,308	6,014

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

In the second quarter of fiscal 2020, the Company entered into a cross-currency interest rate swap with a member of the Company's lending syndicate with a notional amount of $34 USD for a term of one month. The swap required that funds were exchanged back in one month at the same terms unless both parties agreed to extend the swap for an additional month. The Company did not extend the swap in the current quarter. By borrowing in US dollars, the Company may access lower interest rates. The swap mitigated the risk of changes in the value of the US Dollar LIBOR borrowings. The swap was not designated as a hedge for accounting purposes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2020 and May 31, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

17. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2020 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2020 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2020 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2020 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2020 do not represent events or changes in circumstance that would be indicative of impairment at May 31, 2020.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2020, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal adjusted EBITDA multiple
Cable	6.0%	0.5%	8.0x
Satellite	7.0%	-4.0%	6.7x
Wireless	7.0%	1.0%	5.3x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal adjusted EBITDA multiple
Cable	15.0%	12.5%	6.2%
Satellite	7.8%	5.5%	7.4%
Wireless	18.2%	10.1%	9.4%

This is Exhibit 38 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**February 28, 2021**	**August 31, 2020**
ASSETS		
Current		
Cash and cash equivalents	**388**	763
Accounts receivable	**330**	268
Income taxes recoverable	**21**	-
Inventories	**70**	60
Other current assets *[note 4]*	**309**	277
Current portion of contract assets *[note 12]*	**128**	132
	1,246	1,500
Investments and other assets *[note 5 & 16]*	**70**	42
Property, plant and equipment	**6,091**	6,142
Other long-term assets	**159**	163
Contract assets *[note 12]*	**35**	40
Deferred income tax assets	**2**	1
Intangibles *[note 17]*	**8,005**	7,997
Goodwill *[note 17]*	**280**	280
	15,888	16,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 7]*	**200**	200
Accounts payable and accrued liabilities	**935**	999
Provisions *[note 8]*	**97**	101
Income taxes payable	**-**	57
Current portion of contract liabilities *[note 12]*	**206**	211
Current portion of long-term debt *[notes 9 and 16]*	**1**	1
Current portion of lease liabilities *[note 6]*	**108**	113
Current portion of derivatives	**7**	6
	1,554	1,688
Long-term debt *[notes 9 and 16]*	**4,548**	4,547
Lease liabilities *[note 6]*	**1,182**	1,157
Other long-term liabilities	**44**	72
Provisions *[note 8]*	**80**	80
Deferred credits	**398**	406
Contract liabilities *[note 12]*	**15**	14
Deferred income tax liabilities	**2,030**	1,968
	9,851	9,932
Shareholders' equity *[notes 10 and 14]*		
Common and preferred shareholders	**6,037**	6,233
	15,888	16,165

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended		Six months ended	
(millions of Canadian dollars)	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
Revenue *[notes 3 and 12]*	**1,387**	1,363	**2,757**	2,746
Operating, general and administrative expenses *[note 13]*	**(750)**	(763)	**(1,513)**	(1,558)
Restructuring costs *[notes 8 and 13]*	**(1)**	-	**(13)**	-
Amortization:				
Deferred equipment revenue	**3**	5	**6**	9
Deferred equipment costs	**(12)**	(17)	**(25)**	(35)
Property, plant and equipment, intangibles and other	**(294)**	(288)	**(589)**	(577)
Operating income	**333**	300	**623**	585
Amortization of financing costs – long-term debt	**-**	(1)	**(1)**	(2)
Interest expense	**(67)**	(68)	**(133)**	(139)
Other gains (losses)	**26**	(19)	**24**	(22)
Income before income taxes	**292**	212	**513**	422
Current income tax expense *[note 3]*	**44**	23	**80**	59
Deferred income tax expense	**31**	22	**53**	34
Net income	**217**	167	**380**	329
Net income attributable to:				
Equity shareholders	**217**	**167**	**380**	**329**
Earnings per share: *[note 11]*				
Basic and diluted	**0.43**	**0.32**	**0.74**	**0.63**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended		Six months ended	
(millions of Canadian dollars)	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
Net income	**217**	167	**380**	329
Other comprehensive income *[note 14]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	-	**(2)**	-
Adjustment for hedged items recognized in the period	**1**	-	**2**	-
	-	-	**-**	-
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**28**	(10)	**23**	(5)
	28	(10)	**23**	(5)
Comprehensive income	**245**	157	**403**	324
Comprehensive income attributable to:				
Equity shareholders	**245**	157	**403**	324

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Six months ended February 28, 2021

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
Balance as at September 1, 2020	**4,602**	**27**	**1,703**	**(99)**	**6,233**	**-**	**6,233**
Net income	**-**	**-**	**380**	**-**	**380**	**-**	**380**
Other comprehensive income	**-**	**-**	**-**	**23**	**23**	**-**	**23**
Comprehensive income	**-**	**-**	**380**	**23**	**403**	**-**	**403**
Dividends	**-**	**-**	**(300)**	**-**	**(300)**	**-**	**(300)**
Shares issued under stock option plan	**1**	**-**	**-**	**-**	**1**	**-**	**1**
Shares repurchased *[note 10]*	**(116)**	**-**	**(184)**	**-**	**(300)**	**-**	**(300)**
Balance as at February 28, 2021	**4,487**	**27**	**1,599**	**(76)**	**6,037**	**-**	**6,037**

Six months ended February 29, 2020

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
Balance as at September 1, 2019	4,605	26	1,723	(94)	6,260	3	6,263
Net income	-	-	329	-	329	-	329
Other comprehensive income	-	-	-	(5)	(5)	-	(5)
Comprehensive income	-	-	329	(5)	324	-	324
Dividends	-	-	(272)	-	(272)	-	(272)
Dividend reinvestment plan	37	-	(37)	-	-	-	-
Distributions declared to non-controlling interest	-	-	-	-	-	(3)	(3)
Shares issued under stock option plan	6	(1)	-	-	5	-	5
Shares repurchased	(35)	-	(70)	-	(105)	-	(105)
Share-based compensation	-	1	-	-	1	-	1
Balance as at February 29, 2020	4,613	26	1,673	(99)	6,213	-	6,213

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended		Six months ended	
(millions of Canadian dollars)	**February 28, 2021**	February 29, 2020	**February 28, 2021**	February 29, 2020
OPERATING ACTIVITIES				
Funds flow from operations *[note 15]*	**539**	496	**1,027**	946
Net change in non-cash balances	**(66)**	(135)	**(254)**	(246)
	473	361	**773**	700
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(218)**	(248)	**(414)**	(518)
Additions to equipment costs (net) *[note 3]*	**(5)**	(7)	**(12)**	(18)
Additions to other intangibles *[note 3]*	**(34)**	(36)	**(76)**	(64)
Net additions to investments and other assets	**-**	(4)	**(1)**	(5)
Proceeds on disposal of property, plant and equipment	**3**	1	**17**	1
	(254)	(294)	**(486)**	(604)
FINANCING ACTIVITIES				
Increase in short-term borrowings *[note 7]*	**-**	135	**-**	215
Issuance of long-term debt	**-**	800	**-**	800
Repayment of long-term debt	**-**	(818)	**-**	(2,068)
Debt arrangement costs	**-**	(9)	**-**	(10)
Payment of lease liabilities *[note 6]*	**(27)**	(27)	**(58)**	(57)
Issue of Class B Shares *[note 10]*	**1**	2	**1**	5
Purchase of Class B Shares *[note 10]*	**(225)**	(80)	**(300)**	(105)
Dividends paid on Class A Shares and Class B Shares	**(149)**	(153)	**(301)**	(269)
Dividends paid on Preferred Shares	**(2)**	(2)	**(4)**	(4)
Payment of distributions to non-controlling interests	**-**	-	**-**	(2)
	(402)	(152)	**(662)**	(1,495)
Decrease in cash	**(183)**	(85)	**(375)**	(1,399)
Cash, beginning of the period	**571**	132	**763**	1,446
Cash, end of the period	**388**	47	**388**	47

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three and six months ended February 28, 2021 were authorized for issue by the Board of Directors on April 14, 2021.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2020.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Revenue				
Wireline	**1,054**	1,063	**2,110**	2,130
Wireless	**336**	302	**653**	620
	1,390	1,365	**2,763**	2,750
Intersegment eliminations	**(3)**	(2)	**(6)**	(4)
	1,387	1,363	**2,757**	2,746
Adjusted EBITDA[(1)]				
Wireline	**540**	519	**1,072**	1,036
Wireless	**97**	81	**172**	152
	637	600	**1,244**	1,188
Restructuring costs	**(1)**	-	**(13)**	-
Amortization	**(303)**	(300)	**(608)**	(603)
Operating income	**333**	300	**623**	585
Current taxes				
Operating	**43**	22	**78**	54
Other/non-operating	**1**	1	**2**	5
	44	23	**80**	59

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Capital expenditures accrual basis				
Wireline	**174**	216	**328**	410
Wireless	**71**	53	**144**	108
	245	269	**472**	518
Equipment costs (net of revenue)				
Wireline	**5**	7	**12**	18
Capital expenditures and equipment costs (net)				
Wireline	**179**	223	**340**	428
Wireless	**71**	53	**144**	108
	250	276	**484**	536
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**218**	248	**414**	518
Additions to equipment costs (net)	**5**	7	**12**	18
Additions to other intangibles	**34**	36	**76**	64
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**257**	291	**502**	600
Decrease in working capital and other liabilities related to capital expenditures	**(4)**	(14)	**(1)**	(63)
Less: Proceeds on disposal of property, plant and equipment	**(3)**	(1)	**(17)**	(1)
Total capital expenditures and equipment costs (net) reported by segments	**250**	276	**484**	536

4. OTHER CURRENT ASSETS

	February 28, 2021	August 31, 2020
Prepaid expenses	**93**	89
Deferred commission costs(1)	**63**	61
Wireless handset receivables(2)	**153**	127
	309	277

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. INVESTMENTS AND OTHER ASSETS

	February 28, 2021	August 31, 2020
Investments in private entities	**70**	42

The Company has a portfolio of investments in various private entities. In the second quarter of fiscal 2021, the Company recorded a net fair value adjustment of $27 relating to these investments. This gain is included in other gains (losses) on the Consolidated Statements of Income.

6. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2020	1,270
Net additions	78
Interest on lease liabilities	22
Interest payments on lease liabilities	(22)
Principal payments of lease liabilities	(58)
Other	-
Balance as at February 28, 2021	**1,290**
Current	113
Long-term	1,157
Balance as at August 31, 2020	1,270
Current	**108**
Long-term	**1,182**
Balance as at February 28, 2021	**1,290**

7. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Accounts receivable securitization program, beginning of period	**200**	120	**200**	40
Proceeds received from accounts receivable securitization	**-**	80	**-**	160
Repayment of accounts receivable securitization	**-**	-	**-**	-
Accounts receivable securitization program, end of period	**200**	200	**200**	200

	February 28, 2021	August 31, 2020
Trade accounts receivable sold to buyer as security	**485**	446
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**285**	246

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. PROVISIONS

	Asset retirement obligations $	Restructuring [1][2] $	Other $	Total $
Balance as at August 31, 2020	79	13	89	181
Additions	-	13	9	22
Accretion	1	-	-	1
Reversal	-	-	(3)	(3)
Payments	-	(24)	-	(24)
Balance as at February 28, 2021	**80**	**2**	**95**	**177**
Current	-	13	88	101
Long-term	79	-	1	80
Balance as at August 31, 2020	79	13	89	181
Current	-	2	95	97
Long-term	80	-	-	80
Balance as at February 28, 2021	**80**	**2**	**95**	**177**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2020 restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. A total of $12 has been paid in fiscal 2021 relating to these initiatives. The remaining costs are expected to be paid out within the next 11 months.

(2) During fiscal 2021, the Company made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. In connection with the restructuring, the Company recorded $1 in the second quarter and $12 in the first quarter primarily related to severance and employee related costs, of which $12 has been paid as at February 28, 2021. The remaining costs are expected to be paid within the next 11 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. LONG-TERM DEBT

	February 28, 2021				August 31, 2020		
	Effective interest rates	**Long-term debt at amortized cost[1]**	**Adjustment for finance costs [1]**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost[1]	Adjustment for finance costs [1]	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	**$**	**$**	**$**
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	495	5	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,501	**49**	**4,550**	4,499	51	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**48**	**-**	**48**	49	-	49
Total consolidated debt		**4,549**	**49**	**4,598**	4,548	51	4,599
Less current portion[2]		**1**	**-**	**1**	1	-	1
		4,548	**49**	**4,597**	4,547	51	4,598

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

10. SHARE CAPITAL

Changes in share capital during the six months ended February 28, 2021 are as follows:

	Class A Shares		**Class B Shares**		**Series A Preferred Shares**		**Series B Preferred Shares**	
	Number	$	Number	$	Number	$	Number	$
August 31, 2020	22,372,064	2	490,632,833	4,307	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	28,300	1	-	-	-	-
Issued upon restricted share unit exercises	-	-	6,423	-	-	-	-	-
Shares repurchased	-	-	(13,224,772)	(116)	-	-	-	-
February 28, 2021	**22,372,064**	**2**	**477,442,784**	**4,192**	**10,012,393**	**245**	**1,987,607**	**48**

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and will remain in effect until November 4, 2021. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,532,404 Class B Non-Voting Participating Shares (“Class B Shares”) representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

During the six months ended February 28, 2021, the Company purchased 13,224,772 Class B Shares for cancellation for a total cost of approximately $300 under the NCIB program. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $184 and was charged to retained earnings.

From March 1, 2021 to March 12, 2021, the Company purchased an additional 1,559,202 Class B Shares for cancellation for a total cost of approximately $36 under the NCIB program. In connection with the announcement of the Transaction on March 15, 2021 (as discussed in more detail in Note 18), the Company suspended share buybacks under its NCIB program.

11. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Numerator for basic and diluted earnings per share ($)				
Net income	**217**	167	**380**	329
Deduct: dividends on Preferred Shares	**(2)**	(2)	**(4)**	(4)
Net income attributable to common shareholders	**215**	165	**376**	325
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**505**	516	**509**	517
Effect of dilutive securities [1]	**-**	-	**-**	-
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**505**	516	**509**	517
Basic earnings per share ($)				
Basic and diluted	**0.43**	0.32	**0.74**	0.63

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and six months ended February 28, 2021, 8,199,698 (February 29, 2020 – 5,852,922) and 7,852,637 (February 29, 2020 – 5,719,981) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at August 31, 2020	172	225
Increase in contract assets from revenue recognized during the year	**81**	**-**
Contract assets transferred to trade receivables	**(81)**	**-**
Contract terminations transferred to trade receivables	**(9)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(215)**
Increase in contract liabilities during the year	**-**	**211**
Balance as at February 28, 2021	**163**	**221**

	Contract Assets	Contract Liabilities
Current	132	211
Long-term	40	14
Balance as at August 31, 2020	172	225
Current	**128**	**206**
Long-term	**35**	**15**
Balance as at February 28, 2021	**163**	**221**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the six months ended February 28, 2021. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2020	98
Additions to deferred commission cost assets	**39**
Amortization recognized on deferred commission cost assets	**(41)**
Balance as at February 28, 2021	**96**

Current	61
Long-term	37
Balance as at August 31, 2020	98
Current	**63**
Long-term	**33**
Balance as at February 28, 2021	**96**

Commission costs are amortized over a period ranging from 24 to 36 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Disaggregation of revenue

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Services				
Wireline - Consumer	**909**	919	**1,820**	1,843
Wireline - Business	**145**	144	**290**	287
Wireless	**218**	201	**433**	397
	1,272	1,264	**2,543**	2,527
Equipment and other				
Wireless	**118**	101	**220**	223
	118	101	**220**	223
Intersegment eliminations	**(3)**	(2)	**(6)**	(4)
Total revenue	**1,387**	1,363	**2,757**	2,746

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at February 28, 2021.

	Within 1 year	**Within 2 years**	**Within 3 years**	**Within 4 years**	**Within 5 years**	**Thereafter**	**Total**
Wireline	1,553	672	159	88	28	1	2,501
Wireless	415	137	-	-	-	-	552
Total	**1,968**	**809**	**159**	**88**	**28**	**1**	**3,053**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

13. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Employee salaries and benefits[1]	**154**	160	**307**	317
Purchase of goods and services	**597**	603	**1,219**	1,241
	751	763	**1,526**	1,558

(1) For the three and six months ended February 28, 2021, employee salaries and benefits include $1 (2020 - $nil) and $13 (2020 - $nil) in restructuring costs respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended February 28, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	**-**	**(1)**
Adjustment for hedged items recognized in the period	**1**	**-**	**1**
	-	**-**	**-**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**38**	**(10)**	**28**
	38	**(10)**	**28**

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(2)**	**-**	**(2)**
Adjustment for hedged items recognized in the period	**2**	**-**	**2**
	-	**-**	**-**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**31**	**(8)**	**23**
	31	**(8)**	**23**

Components of other comprehensive income and the related income tax effects for the three months ended February 29, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	-	-	-
Adjustment for hedged items recognized in the period	-	-	-
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(14)	4	(10)
	(14)	4	(10)

Components of other comprehensive income and the related income tax effects for the six months ended February 29, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	-	-	-
Adjustment for hedged items recognized in the period	-	-	-
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(7)	2	(5)
	(7)	2	(5)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Accumulated other comprehensive loss is comprised of the following:

	February 28, 2021	August 31, 2020
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(5)**	(5)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(71)**	(94)
	(76)	(99)

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Net income from continuing operations	**217**	167	**380**	329
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**303**	301	**609**	605
Deferred income tax expense	**31**	22	**53**	34
Share-based compensation	**1**	1	**1**	1
Defined benefit pension plans	**3**	3	**3**	1
Net change in contract asset balances	**13**	(17)	**8**	(45)
Fair value adjustments for private investments	**(27)**	-	**(27)**	-
Other	**(2)**	19	**-**	21
Funds flow from operations	**539**	496	**1,027**	946

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended		Six months ended	
	February 28, 2021	February 29, 2020	**February 28, 2021**	February 29, 2020
Interest paid	**35**	31	**110**	140
Income taxes paid (net of refunds)	**64**	68	**158**	102
Interest received	**1**	1	**3**	5

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Six months ended	
	February 28, 2021	February 29, 2020
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan	**-**	37

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

16. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	February 28, 2021		August 31, 2020	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,549**	**5,378**	4,548	5,613

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

[all amounts in millions of Canadian dollars, except share and per share amounts]

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

17. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2021 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2021 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2021 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2021 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2021 do not represent events or changes in circumstance that would be indicative of impairment at February 28, 2021.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2021, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal adjusted EBITDA multiple
Cable	5.0%	0.0%	9.7x
Satellite	6.0%	-8.0%	6.5x
Wireless	6.0%	1.0%	6.1x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal adjusted EBITDA multiple
Cable	16.4%	13.8%	1.9%
Satellite	6.5%	4.2%	3.6%
Wireless	21.9%	13.5%	2.1%

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2021 and February 29, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

18. SUBSEQUENT EVENT

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Shares in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Transaction"). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash. The Transaction is subject to the approval of shareholders as well as other customary closing conditions including court and stock exchange approval and approvals from Canadian regulators. In connection with the announcement of the Transaction on March 15, 2021, the Company suspended share buybacks under its normal course issuer bid (NCIB) program. Subject to receipt of all required approvals, the Transaction is expected to close in the first half of 2022.

Under the terms of the Arrangement Agreement, Rogers has the right to cause the Company to redeem its outstanding preferred shares on June 30, 2021 in accordance with their terms by providing written notice to Shaw. As of the date of these financial statements, Rogers has not exercised this right.

This is Exhibit 39 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**November 30, 2020**	**August 31, 2020**
ASSETS		
Current		
Cash and cash equivalents	**571**	763
Accounts receivable	**277**	268
Income taxes recoverable	**2**	-
Inventories	**65**	60
Other current assets *[note 4]*	**291**	277
Current portion of contract assets *[note 11]*	**138**	132
	1,344	1,500
Investments and other assets *[note 15]*	**42**	42
Property, plant and equipment	**6,131**	6,142
Other long-term assets	**164**	163
Contract assets *[note 11]*	**39**	40
Deferred income tax assets	**2**	1
Intangibles	**8,008**	7,997
Goodwill	**280**	280
	16,010	16,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**200**	200
Accounts payable and accrued liabilities	**892**	999
Provisions *[note 7]*	**113**	101
Income taxes payable	**-**	57
Current portion of contract liabilities *[note 11]*	**210**	211
Current portion of long-term debt *[notes 8 and 15]*	**1**	1
Current portion of lease liabilities *[note 5]*	**109**	113
Current portion of derivatives	**6**	6
	1,531	1,688
Long-term debt *[notes 8 and 15]*	**4,548**	4,547
Lease liabilities *[note 5]*	**1,202**	1,157
Other long-term liabilities	**79**	72
Provisions *[note 7]*	**80**	80
Deferred credits	**402**	406
Contract liabilities *[note 11]*	**14**	14
Deferred income tax liabilities	**1,989**	1,968
	9,845	9,932
Shareholders' equity *[notes 9 and 13]*		
Common and preferred shareholders	**6,165**	6,233
	16,010	16,165

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2020**	2019
Revenue *[notes 3 and 11]*	**1,370**	1,383
Operating, general and administrative expenses *[note 12]*	**(763)**	(795)
Restructuring costs *[notes 7 and 12]*	**(12)**	-
Amortization:		
Deferred equipment revenue	**3**	4
Deferred equipment costs	**(13)**	(18)
Property, plant and equipment, intangibles and other	**(295)**	(289)
Operating income	**290**	285
Amortization of financing costs – long-term debt	**(1)**	(1)
Interest expense	**(66)**	(71)
Other gains (losses)	**(2)**	(3)
Income before income taxes	**221**	210
Current income tax expense *[note 3]*	**36**	36
Deferred income tax expense	**22**	12
Net income	**163**	162
Net income attributable to:		
Equity shareholders	**163**	**162**
Earnings per share: *[note 10]*		
Basic and diluted	**0.31**	**0.31**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended November 30, **2020**	2019
Net income	**163**	162
Other comprehensive income *[note 13]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	-
Adjustment for hedged items recognized in the period	**1**	-
	-	-
Items that will not subsequently be reclassified to income:		
Remeasurements on employee benefit plans	**(5)**	5
	(5)	5
Comprehensive income	**158**	167
Comprehensive income attributable to:		
Equity shareholders	**158**	167

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Three months ended November 30, 2020

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
Balance as at September 1, 2020	**4,602**	**27**	**1,703**	**(99)**	**6,233**	**-**	**6,233**
Net income	**-**	**-**	**163**	**-**	**163**	**-**	**163**
Other comprehensive income	**-**	**-**	**-**	**(5)**	**(5)**	**-**	**(5)**
Comprehensive income	**-**	**-**	**163**	**(5)**	**158**	**-**	**158**
Dividends	**-**	**-**	**(151)**	**-**	**(151)**	**-**	**(151)**
Shares issued under stock option plan	**1**	**-**	**-**	**-**	**1**	**-**	**1**
Shares repurchased *[note 9]*	**(30)**	**-**	**(46)**	**-**	**(76)**	**-**	**(76)**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as at November 30, 2020	**4,573**	**27**	**1,669**	**(104)**	**6,165**	**-**	**6,165**

Three months ended November 30, 2019

	Attributable to equity shareholders						
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
Balance as at September 1, 2019	4,605	26	1,723	(94)	6,260	3	6,263
Net income	-	-	162	-	162	-	162
Other comprehensive income	-	-	-	5	5	-	5
Comprehensive income	-	-	162	5	167	-	167
Dividends	-	-	(118)	-	(118)	-	(118)
Dividend reinvestment plan	37	-	(37)	-	-	-	-
Distributions declared to non-controlling interest	-	-	-	-	-	(3)	(3)
Shares issued under stock option plan	3	-	-	-	3	-	3
Shares repurchased	(8)	-	(17)	-	(25)	-	(25)
Balance as at November 30, 2019	4,637	26	1,713	(89)	6,287	-	6,287

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2020**	2019
OPERATING ACTIVITIES		
Funds flow from operations *[note 14]*	**488**	450
Net change in non-cash balances	**(188)**	(111)
	300	339
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 3]*	**(196)**	(270)
Additions to equipment costs (net) *[note 3]*	**(7)**	(11)
Additions to other intangibles *[note 3]*	**(42)**	(28)
Net additions to investments and other assets	**(1)**	(1)
Proceeds on disposal of property, plant and equipment	**14**	-
	(232)	(310)
FINANCING ACTIVITIES		
Increase in short-term borrowings *[note 6]*	**-**	80
Repayment of long-term debt	**-**	(1,250)
Debt arrangement costs	**-**	(1)
Payment of lease liabilities *[note 5]*	**(31)**	(30)
Issue of Class B Non-Voting Shares *[note 9]*	**-**	3
Purchase of Class B Non-Voting Shares *[note 9]*	**(75)**	(25)
Dividends paid on Class A Shares and Class B Non-Voting Shares	**(152)**	(116)
Dividends paid on Preferred Shares	**(2)**	(2)
Payment of distributions to non-controlling interests	**-**	(2)
	(260)	(1,343)
Increase (decrease) in cash	**(192)**	(1,314)
Cash, beginning of the period	**763**	1,446
Cash, end of the period	**571**	132

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, SJR.PR.A, SJR.PR.B, NYSE - SJR, and TSXV - SJR.A).

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three months ended November 30, 2020 were authorized for issue by the Audit Committee on January 12, 2021.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2020.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended November 30,	
	2020	2019
Revenue		
Wireline	**1,056**	1,067
Wireless	**317**	318
	1,373	1,385
Intersegment eliminations	**(3)**	(2)
	1,370	1,383
Adjusted EBITDA[(1)]		
Wireline	**532**	517
Wireless	**75**	71
	607	588
Restructuring costs	**(12)**	-
Amortization	**(305)**	(303)
Operating income	**290**	285
Current taxes		
Operating	**35**	32
Other/non-operating	**1**	4
	36	36

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended November 30,	
	2020	2019
Capital expenditures accrual basis		
Wireline	**154**	194
Wireless	**73**	55
	227	249
Equipment costs (net of revenue)		
Wireline	**7**	11
Capital expenditures and equipment costs (net)		
Wireline	**161**	205
Wireless	**73**	55
	234	260
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**196**	270
Additions to equipment costs (net)	**7**	11
Additions to other intangibles	**42**	28
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**245**	309
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**3**	(49)
Less: Proceeds on disposal of property, plant and equipment	**(14)**	-
Total capital expenditures and equipment costs (net) reported by segments	**234**	260

4. OTHER CURRENT ASSETS

	November 30, 2020	August 31, 2020
Prepaid expenses	**105**	89
Deferred commission costs[1]	**62**	61
Wireless handset receivables[2]	**124**	127
	291	277

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2020	1,270
Net additions	72
Interest on lease liabilities	11
Interest payments on lease liabilities	(11)
Principal payments of lease liabilities	(31)
Other	-
Balance as at November 30, 2020	**1,311**
Current	113
Long-term	1,157
Balance as at August 31, 2020	1,270
Current	**109**
Long-term	**1,202**
Balance as at November 30, 2020	**1,311**

6. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	Three months ended November 30,	
	2020	2019
Accounts receivable securitization program, beginning of period	**200**	40
Proceeds received from accounts receivable securitization	**-**	80
Repayment of accounts receivable securitization	**-**	-
Accounts receivable securitization program, end of period	**200**	120

	November 30, 2020	August 31, 2020
Trade accounts receivable sold to buyer as security	**492**	446
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**292**	246

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [1][2] $	Other $	Total $
Balance as at August 31, 2020	79	13	89	181
Additions	-	12	4	16
Accretion	1	-	-	1
Reversal	-	-	(3)	(3)
Payments	-	(2)	-	(2)
Balance as at November 30, 2020	**80**	**23**	**90**	**193**
Current	-	13	88	101
Long-term	79	-	1	80
Balance as at August 31, 2020	79	13	89	181
Current	-	23	90	113
Long-term	80	-	-	80
Balance as at November 30, 2020	**80**	**23**	**90**	**193**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2020 restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. A total of $nil has been paid in fiscal 2021 relating to these initiatives. The remaining costs are expected to be paid out within the next 2 months.

(2) During fiscal 2021, the Company made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. In connection with the restructuring, the Company recorded $12 in the first quarter primarily related to severance and employee related costs, of which $2 has been paid as at November 30, 2020. The remaining costs are expected to be paid within the next 14 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. LONG-TERM DEBT

	November 30, 2020				August 31, 2020		
	Effective interest rates	Long-term debt at amortized cost[(1)]	Adjustment for finance costs [(1)]	Long-term debt repayable at maturity	Long-term debt at amortized cost[(1)]	Adjustment for finance costs [(1)]	Long-term debt repayable at maturity
	%	$	$	$	$	$	$
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**498**	**2**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
3.30% due December 10, 2029	3.41	**495**	**5**	**500**	495	5	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,500	**50**	**4,550**	4,499	51	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**49**	**-**	**49**	49	-	49
Total consolidated debt		**4,549**	**50**	**4,599**	4,548	51	4,599
Less current portion[(2)]		**1**	**-**	**1**	1	-	1
		4,548	**50**	**4,598**	4,547	51	4,598

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

9. SHARE CAPITAL

Changes in share capital during the three months ended November 30, 2020 are as follows:

	Class A Shares		Class B Non-Voting Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2020	22,372,064	2	490,632,833	4,307	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	153,999	1	-	-	-	-
Issued upon restricted share unit exercises	-	-	-	-	-	-	-	-
Shares repurchased	-	-	(3,269,444)	(30)	-	-	-	-
November 30, 2020	**22,372,064**	**2**	**487,517,388**	**4,278**	**10,012,393**	**245**	**1,987,607**	**48**

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and will remain in effect until November 4, 2021. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,532,404 Class B Non-Voting Participating Shares ("Class B Non-Voting Shares") representing approximately 5% of all of the issued and outstanding Class B Non-Voting Shares as at October 22, 2020.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

During the three months ended November 30, 2020, the Company purchased 3,269,444 Class B Non-Voting Shares for cancellation for a total cost of approximately $76 under the NCIB program. The average book value of the shares repurchased was $8.78 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $46 and was charged to retained earnings.

From December 1, 2020 to December 31, 2020, the Company purchased an additional 3,273,356 Class B Non-Voting Shares for cancellation for a total cost of approximately $75 under the NCIB program.

10. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended November 30,	
	2020	2019
Numerator for basic and diluted earnings per share ($)		
Net income	**163**	162
Deduct: dividends on Preferred Shares	**(2)**	(2)
Net income attributable to common shareholders	**161**	160
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Non-Voting Shares for basic earnings per share	**513**	518
Effect of dilutive securities [(1)]	**-**	-
Weighted average number of Class A Shares and Class B Non-Voting Shares for diluted earnings per share	**513**	518
Basic earnings per share ($)		
Basic and diluted	**0.31**	0.31

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three months ended November 30, 2020, 6,736,626 (November 30, 2019 – 4,966,252) options were excluded from the diluted earnings per share calculation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

11. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at August 31, 2020	172	225
Increase in contract assets from revenue recognized during the year	**51**	**-**
Contract assets transferred to trade receivables	**(41)**	**-**
Contract terminations transferred to trade receivables	**(5)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(213)**
Increase in contract liabilities during the year	**-**	**212**
Balance as at November 30, 2020	**177**	**224**

	Contract Assets	Contract Liabilities
Current	132	211
Long-term	40	14
Balance as at August 31, 2020	172	225
Current	**138**	**210**
Long-term	**39**	**14**
Balance as at November 30, 2020	**177**	**224**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the three months ended November 30, 2020. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2020	98
Additions to deferred commission cost assets	**20**
Amortization recognized on deferred commission cost assets	**(20)**
Balance as at November 30, 2020	**98**

Current	61
Long-term	37
Balance as at August 31, 2020	98
Current	**62**
Long-term	**36**
Balance as at November 30, 2020	**98**

Commission costs are amortized over a period ranging from 24 to 36 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

Disaggregation of revenue

	Three months ended November 30,	
	2020	2019
Services		
Wireline - Consumer	**911**	924
Wireline - Business	**145**	143
Wireless	**215**	196
	1,271	1,263
Equipment and other		
Wireless	**102**	122
	102	122
Intersegment eliminations	**(3)**	(2)
Total revenue	**1,370**	1,383

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at November 30, 2020.

	Within 1 year	**Within 2 years**	**Within 3 years**	**Within 4 years**	**Within 5 years**	**Thereafter**	**Total**
Wireline	1,501	596	151	87	26	-	2,361
Wireless	414	118	-	-	-	-	532
Total	**1,915**	**714**	**151**	**87**	**26**	**-**	**2,893**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

12. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended November 30,	
	2020	2019
Employee salaries and benefits(1)	**153**	157
Purchase of goods and services	**622**	638
	775	795

(1) For the three months ended November 30, 2020, employee salaries and benefits include $12 (2019 - $nil) in restructuring costs.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

13. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	**-**	**(1)**
Adjustment for hedged items recognized in the period	**1**	**-**	**1**
	-	**-**	**-**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**(7)**	**2**	**(5)**
	(7)	**2**	**(5)**

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2019 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	-	-	-
Adjustment for hedged items recognized in the period	-	-	-
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	7	(2)	5
	7	(2)	5

Accumulated other comprehensive loss is comprised of the following:

	November 30, 2020	August 31, 2020
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(5)**	(5)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(99)**	(94)
	(104)	(99)

14. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended November 30,	
	2020	2019
Net income from operations	**163**	162
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**306**	304
Deferred income tax expense	**22**	12
Defined benefit pension plans	**-**	(2)
Net change in contract asset balances	**(5)**	(28)
Other	**2**	2
Funds flow from operations	**488**	450

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended November 30,	
	2020	2019
Interest paid	**75**	109
Income taxes paid (net of refunds)	**94**	34
Interest received	**2**	4

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Three months ended November 30,	
	2020	2019
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan	**-**	37

15. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2020 and November 30, 2019
[all amounts in millions of Canadian dollars, except share and per share amounts]

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	November 30, 2020		August 31, 2020	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,549**	**5,561**	4,548	5,613

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Other long-term liabilities

The fair value of contingent consideration arising from a business acquisition is determined by calculating the present value of the probability weighted assessment of the likelihood that revenue targets will be met and the estimated timing of such payments.

(v) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

This is Exhibit 40 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**May 31, 2021**	**August 31, 2020**
ASSETS		
Current		
Cash and cash equivalents	**491**	763
Accounts receivable	**306**	268
Income taxes recoverable	**126**	-
Inventories	**64**	60
Other current assets *[note 4]*	**313**	277
Current portion of contract assets *[note 12]*	**108**	132
	1,408	1,500
Investments and other assets *[note 5 & 17]*	**70**	42
Property, plant and equipment	**6,040**	6,142
Other long-term assets	**149**	163
Contract assets *[note 12]*	**30**	40
Deferred income tax assets	**2**	1
Intangibles *[note 18]*	**8,001**	7,997
Goodwill *[note 18]*	**280**	280
	15,980	16,165
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 7]*	**200**	200
Accounts payable and accrued liabilities	**887**	999
Provisions *[note 8]*	**42**	101
Income taxes payable	**-**	57
Preferred shares *[note 10]*	**300**	-
Current portion of contract liabilities *[note 12]*	**209**	211
Current portion of long-term debt *[notes 9 and 17]*	**1**	1
Current portion of lease liabilities *[note 6]*	**110**	113
Current portion of derivatives	**11**	6
	1,760	1,688
Long-term debt *[notes 9 and 17]*	**4,549**	4,547
Lease liabilities *[note 6]*	**1,169**	1,157
Other long-term liabilities	**42**	72
Provisions *[note 8]*	**81**	80
Deferred credits	**393**	406
Contract liabilities *[note 12]*	**14**	14
Deferred income tax liabilities	**2,052**	1,968
	10,060	9,932
Shareholders' equity *[notes 10 and 15]*		
Common and preferred shareholders	**5,920**	6,233
	15,980	16,165

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, **2021**	2020	Nine months ended May 31, **2021**	2020
Revenue *[notes 3 and 12]*	**1,375**	1,312	**4,132**	4,058
Operating, general and administrative expenses *[note 13]*	**(733)**	(703)	**(2,246)**	(2,261)
Restructuring costs *[notes 8 and 13]*	**(1)**	(14)	**(14)**	(14)
Amortization:				
Deferred equipment revenue	**3**	4	**9**	13
Deferred equipment costs	**(11)**	(16)	**(37)**	(51)
Property, plant and equipment, intangibles and other	**(292)**	(290)	**(881)**	(867)
Operating income	**341**	293	**963**	878
Amortization of financing costs – long-term debt	**(1)**	-	**(2)**	(2)
Interest expense *[note 9]*	**(31)**	(67)	**(164)**	(206)
Other gains (losses) *[note 14]*	**(21)**	7	**4**	(15)
Income before income taxes	**288**	233	**801**	655
Current income tax expense (recovery)*[note 3]*	**(88)**	19	**(8)**	78
Deferred income tax expense	**22**	30	**75**	64
Net income	**354**	184	**734**	513
Net income attributable to:				
Equity shareholders	**354**	**184**	**734**	**513**
Earnings per share: *[note 11]*				
Basic	**0.71**	**0.35**	**1.44**	**0.98**
Diluted	**0.70**	**0.35**	**1.44**	**0.98**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
Net income	**354**	184	**734**	513
Other comprehensive income *[note 15]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**(5)**	(1)	**(6)**	2
Adjustment for hedged items recognized in the period	**2**	1	**3**	(1)
	(3)	-	**(3)**	1
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**4**	40	**27**	34
	1	40	**24**	35
Comprehensive income	**355**	224	**758**	548
Comprehensive income attributable to:				
Equity shareholders	**355**	224	**758**	548

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Nine months ended May 31, 2021

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2020	**4,602**	**27**	**1,703**	**(99)**	**6,233**	**-**	**6,233**
Net income	**-**	**-**	**734**	**-**	**734**	**-**	**734**
Other comprehensive income	**-**	**-**	**-**	**24**	**24**	**-**	**24**
Comprehensive income	**-**	**-**	**734**	**24**	**758**	**-**	**758**
Dividends	**-**	**-**	**(451)**	**-**	**(451)**	**-**	**(451)**
Shares issued under stock option plan	**16**	**(1)**	**-**	**-**	**15**	**-**	**15**
Shares repurchased *[note 10]*	**(129)**	**-**	**(207)**	**-**	**(336)**	**-**	**(336)**
Preferred shares reclassified to current liabilities *[note 10]*	**(293)**	**-**	**(7)**	**-**	**(300)**	**-**	**(300)**
Share-based compensation	**-**	**1**	**-**	**-**	**1**	**-**	**1**
Balance as at May 31, 2021	**4,196**	**27**	**1,772**	**(75)**	**5,920**	**-**	**5,920**

Nine months ended May 31, 2020

(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total	Equity attributable to non controlling interest	Total equity
	Attributable to equity shareholders						
Balance as at September 1, 2019	4,605	26	1,723	(94)	6,260	3	6,263
Net income	-	-	513	-	513	-	513
Other comprehensive income	-	-	-	35	35	-	35
Comprehensive income	-	-	513	35	548	-	548
Dividends	-	-	(426)	-	(426)	-	(426)
Dividend reinvestment plan	37	-	(37)	-	-	-	-
Distributions declared to non-controlling interest	-	-	-	-	-	(3)	(3)
Shares issued under stock option plan	6	-	-	-	6	-	6
Shares repurchased	(49)	-	(91)	-	(140)	-	(140)
Share-based compensation	-	1	-	-	1	-	1
Balance as at May 31, 2020	4,599	27	1,682	(59)	6,249	-	6,249

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended May 31,		Nine months ended May 31,	
(millions of Canadian dollars)	**2021**	2020	**2021**	2020
OPERATING ACTIVITIES				
Funds flow from operations *[note 16]*	**708**	541	**1,735**	1,487
Net change in non-cash balances	**(148)**	47	**(402)**	(199)
	560	588	**1,333**	1,288
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(227)**	(224)	**(641)**	(742)
Additions to equipment costs (net) *[note 3]*	**(4)**	(5)	**(16)**	(23)
Additions to other intangibles *[note 3]*	**(31)**	(32)	**(107)**	(96)
Net additions to investments and other assets	**-**	-	**(1)**	(5)
Proceeds on disposal of property, plant and equipment	**2**	-	**19**	1
	(260)	(261)	**(746)**	(865)
FINANCING ACTIVITIES				
Increase (decrease) in short-term borrowings *[note 7]*	**-**	(5)	**-**	210
Issuance of long-term debt	**-**	500	**-**	1,300
Repayment of long-term debt	**(1)**	-	**(1)**	(2,068)
Debt arrangement costs	**-**	(4)	**-**	(14)
Payment of lease liabilities *[note 6]*	**(24)**	(25)	**(82)**	(82)
Issue of Class B Shares *[note 10]*	**14**	1	**15**	6
Purchase of Class B Shares *[note 10]*	**(36)**	(35)	**(336)**	(140)
Dividends paid on Class A Shares and Class B Shares	**(148)**	(152)	**(449)**	(421)
Dividends paid on Preferred Shares	**(2)**	(3)	**(6)**	(7)
Payment of distributions to non-controlling interests	**-**	-	**-**	(2)
	(197)	277	**(859)**	(1,218)
Increase (decrease) in cash	**103**	604	**(272)**	(795)
Cash, beginning of the period	**388**	47	**763**	1,446
Cash, end of the period	**491**	651	**491**	651

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the “Company”) is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities (“Wireline”); and wireless services for voice and data communications (“Wireless”). The Company’s shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, NYSE - SJR, and TSXV - SJR.A).

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the “Arrangement Agreement”) with Rogers Communications Inc. (“Rogers”), under which Rogers will acquire all of Shaw’s issued and outstanding Class A Participating Shares (“Class A Shares”) and Class B Non-Voting Participating Shares (“Class B Shares”) in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the “Transaction”). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the “Shaw Family Shareholders”)) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the “Rogers Shares”) on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash.

The Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw’s Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen’s Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen’s Bench of Alberta issued a final order approving the plan of arrangement.

The Transaction remains subject to other customary closing conditions including approvals from certain Canadian regulators, including the Competition Bureau, Innovation, Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC). Subject to the receipt of all required approvals, and the satisfaction of all closing conditions, the Transaction is expected to close in the first half of 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three and nine months ended May 31, 2021 were authorized for issue by the Board of Directors on June 30, 2021.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2020.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Revenue				
Wireline	**1,080**	1,063	**3,190**	3,193
Wireless	**298**	252	**951**	872
	1,378	1,315	**4,141**	4,065
Intersegment eliminations	**(3)**	(3)	**(9)**	(7)
	1,375	1,312	**4,132**	4,058
Adjusted EBITDA(1)				
Wireline	**527**	508	**1,599**	1,544
Wireless	**115**	101	**287**	253
	642	609	**1,886**	1,797
Restructuring costs	**(1)**	(14)	**(14)**	(14)
Amortization	**(300)**	(302)	**(909)**	(905)
Operating income	**341**	293	**963**	878
Current taxes(2)				
Operating	**39**	18	**117**	72
Other/non-operating	**(127)**	1	**(125)**	6
	(88)	19	**(8)**	78

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

(2) Current taxes are lower for the three and nine months ended May 31, 2021 due mainly to a revision to liabilities for uncertain tax positions that became statute barred in the period of $125.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Capital expenditures accrual basis				
Wireline	**158**	190	**486**	599
Wireless	**70**	73	**214**	181
	228	263	**700**	780
Equipment costs (net of revenue)				
Wireline	**5**	5	**16**	24
Capital expenditures and equipment costs (net)				
Wireline	**163**	195	**502**	623
Wireless	**70**	73	**214**	181
	233	268	**716**	804
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**227**	224	**641**	742
Additions to equipment costs (net)	**4**	5	**16**	23
Additions to other intangibles	**31**	32	**107**	96
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**262**	261	**764**	861
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**(27)**	7	**(29)**	(56)
Less: Proceeds on disposal of property, plant and equipment	**(2)**	-	**(19)**	(1)
Total capital expenditures and equipment costs (net) reported by segments	**233**	268	**716**	804

4. OTHER CURRENT ASSETS

	May 31, 2021	August 31, 2020
Prepaid expenses	**98**	89
Deferred commission costs(1)	**59**	61
Wireless handset receivables(2)	**156**	127
	313	277

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2020, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. INVESTMENTS AND OTHER ASSETS

	May 31, 2021	August 31, 2020
Investments in private entities	**70**	42

The Company has a portfolio of investments in various private entities. In the second quarter of fiscal 2021, the Company recorded a net fair value adjustment of $27 relating to these investments. This gain is included in other gains (losses) on the Consolidated Statements of Income for the nine months ended May 31, 2021.

6. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2020	1,270
Net additions	91
Interest on lease liabilities	34
Interest payments on lease liabilities	(34)
Principal payments of lease liabilities	(82)
Other	-
Balance as at May 31, 2021	**1,279**
Current	113
Long-term	1,157
Balance as at August 31, 2020	1,270
Current	**110**
Long-term	**1,169**
Balance as at May 31, 2021	**1,279**

7. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Accounts receivable securitization program, beginning of period	**200**	200	**200**	40
Proceeds received from accounts receivable securitization	-	-	-	160
Repayment of accounts receivable securitization	-	-	-	-
Accounts receivable securitization program, end of period	**200**	200	**200**	200

	May 31, 2021	August 31, 2020
Trade accounts receivable sold to buyer as security	**432**	446
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**232**	246

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

8. PROVISIONS

	Asset retirement obligations $	Restructuring [1][2] $	Other $	Total $
Balance as at August 31, 2020	79	13	89	181
Additions	-	14	9	23
Accretion	3	-	-	3
Reversal [3]	-	-	(58)	(58)
Payments	(1)	(25)	-	(26)
Balance as at May 31, 2021	**81**	**2**	**40**	**123**
Current	-	13	88	101
Long-term	79	-	1	80
Balance as at August 31, 2020	79	13	89	181
Current	-	2	40	42
Long-term	81	-	-	81
Balance as at May 31, 2021	**81**	**2**	**40**	**123**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2020 restructured certain operations within the Wireline segment and announced a realignment of the senior leadership team. A total of $12 has been paid in fiscal 2021 relating to these initiatives. The remaining costs are expected to be paid out within the next 8 months.

(2) During fiscal 2021, the Company made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. In connection with the restructuring, the Company recorded $1 in the third quarter, $1 in the second quarter and $12 in the first quarter primarily related to severance and employee related costs, of which $13 has been paid as at May 31, 2021. The remaining costs are expected to be paid within the next 8 months.

(3) During the third quarter of fiscal 2021, the Company recorded a $20 reversal following the CRTC decision on final aggregated Third Party Internet Access rates and a $35 reduction of tax related interest expense.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. LONG-TERM DEBT

	May 31, 2021				August 31, 2020		
	Effective interest rates	**Long-term debt at amortized cost[(1)]**	**Adjustment for finance costs [(1)]**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost[(1)]	Adjustment for finance costs [(1)]	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	$	$	$
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**499**	**1**	**500**	498	2	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	298	2	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	496	4	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	495	5	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,421**	**29**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,502	**48**	**4,550**	4,499	51	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**48**	**-**	**48**	49	-	49
Total consolidated debt		**4,550**	**48**	**4,598**	4,548	51	4,599
Less current portion[(2)]		**1**	**-**	**1**	1	-	1
		4,549	**48**	**4,597**	4,547	51	4,598

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

Interest Expense

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Interest expense – long-term debt	**55**	55	**166**	168
Amortization of senior notes discounts	**-**	-	**1**	1
Interest income – short-term (net)	**(1)**	(1)	**(4)**	(5)
Interest on lease liabilities (note 6)	**12**	11	**34**	33
Interest expense – other [(1)]	**(35)**	2	**(33)**	9
	31	**67**	**164**	**206**

(1) Interest expense - other includes a $35 million reduction of tax related interest expense resulting from a revision of liabilities for uncertain tax provisions that became statute barred in the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

10. PREFERRED SHARES LIABILITY AND SHARE CAPITAL

Changes in share capital during the nine months ended May 31, 2021 are as follows:

	Class A Shares		Class B Shares		Series A Preferred Shares		Series B Preferred Shares	
	Number	$	Number	$	Number	$	Number	$
August 31, 2020	22,372,064	2	490,632,833	4,307	10,012,393	245	1,987,607	48
Issued upon stock option plan exercises	-	-	569,217	16	-	-	-	-
Issued upon restricted share unit exercises	-	-	6,423	-	-	-	-	-
Preferred shares reclassified to current liabilities	-	-	-	-	(10,012,393)	(245)	(1,987,607)	(48)
Shares repurchased	-	-	(14,783,974)	(129)	-	-	-	-
May 31, 2021	**22,372,064**	**2**	**476,424,499**	**4,194**	**-**	**-**	**-**	**-**

Series A and B Preferred Shares

On May 28, 2021, the Company announced that it intends to redeem all of its issued and outstanding Cumulative Redeemable Rate Reset Class 2 Preferred Shares, Series A (the "Series A Shares") and Cumulative Redeemable Floating Rate Class 2 Preferred Shares, Series B (the "Series B Shares", and together with the Series A Shares, the "Preferred Shares") in accordance with their terms (as set out in the Company's articles) on June 30, 2021 (the "Redemption Date") at a price equal to $25.00 per Preferred Share (the "Redemption Price"), less any tax required to be deducted or withheld.

As at May 31, 2021, there are 10,012,393 Series A Shares and 1,987,607 Series B Shares issued and outstanding. Accordingly, the aggregate Redemption Price payable by Shaw to redeem the Preferred Shares will be $300 million. As notice was provided to the holders of the Series A Shares and Series B Shares on May 28, 2021, these amounts have been reclassified from share capital to current liabilities as at May 31, 2021.

On April 14, 2021, the Company's Board of Directors declared a dividend of $0.17444 per Series A Share and $0.12956 per Series B Share, each payable on June 30, 2021 to holders of record on June 15, 2021. These will be the final dividends on the Preferred Shares. Upon payment of the June 30, 2021 dividends, there will be no accrued and unpaid dividends on the Preferred Shares as at the Redemption Date.

Subsequent to quarter-end, both the aggregate Redemption Price of $300 and the final dividends on the Preferred Shares were paid by Shaw on the Redemption Date.

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and will remain in effect until November 4, 2021. As approved by the TSX, the Company has the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020.

During the nine months ended May 31, 2021, the Company purchased 14,783,974 Class B Shares for cancellation for a total cost of approximately $336 under the NCIB program. The average book value of the shares repurchased was $8.77 per share and was charged to share capital. The excess of the market price over the average book value, including transaction costs, was approximately $207 and was charged to retained earnings.

In connection with the announcement of the Transaction on March 15, 2021 (as discussed in more detail in Note 1), the Company suspended share buybacks under its NCIB program.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

11. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Numerator for basic and diluted earnings per share ($)				
Net income	**354**	184	**734**	513
Deduct: dividends on Preferred Shares	**(2)**	(3)	**(6)**	(7)
Net income attributable to common shareholders	**352**	181	**728**	506
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**499**	513	**505**	516
Effect of dilutive securities [(1)]	**2**	-	**-**	-
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**501**	513	**505**	516
Basic earnings per share ($)				
Basic	**0.71**	0.35	**1.44**	0.98
Diluted	**0.70**	0.35	**1.44**	0.98

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and nine months ended May 31, 2021, nil (May 31, 2020 – 7,523,834) and 4,072,443 (May 31, 2020 – 6,619,109) options were excluded from the diluted earnings per share calculation, respectively.

12. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	**Contract Liabilities**
Balance as at August 31, 2020	172	225
Increase in contract assets from revenue recognized during the year	**108**	**-**
Contract assets transferred to trade receivables	**(129)**	**-**
Contract terminations transferred to trade receivables	**(13)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(217)**
Increase in contract liabilities during the year	**-**	**215**
Balance as at May 31, 2021	**138**	**223**

	Contract Assets	**Contract Liabilities**
Current	132	211
Long-term	40	14
Balance as at August 31, 2020	172	225
Current	**108**	**209**
Long-term	**30**	**14**
Balance as at May 31, 2021	**138**	**223**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the nine months ended May 31, 2021. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2020	98
Additions to deferred commission cost assets	**54**
Amortization recognized on deferred commission cost assets	**(61)**
Balance as at May 31, 2021	**91**
Current	61
Long-term	37
Balance as at August 31, 2020	98
Current	**59**
Long-term	**32**
Balance as at May 31, 2021	**91**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Services				
Wireline - Consumer	**935**	923	**2,755**	2,766
Wireline - Business	**145**	140	**435**	427
Wireless	**225**	206	**658**	604
	1,305	1,269	**3,848**	3,797
Equipment and other				
Wireless	**73**	46	**293**	268
	73	46	**293**	268
Intersegment eliminations	**(3)**	(3)	**(9)**	(7)
Total revenue	**1,375**	1,312	**4,132**	4,058

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at May 31, 2021.

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total
Wireline	1,644	716	136	71	22	2	2,591
Wireless	373	114	-	-	-	-	487
Total	**2,017**	**830**	**136**	**71**	**22**	**2**	**3,078**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

13. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Employee salaries and benefits[1]	**183**	166	**490**	483
Purchase of goods and services	**551**	551	**1,770**	1,792
	734	717	**2,260**	2,275

(1) For the three and nine months ended May 31, 2021, employee salaries and benefits include $1 (2020 - $14) and $14 (2020 - $14) in restructuring costs respectively.

14. OTHER GAINS (LOSSES)

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Gain/(loss) on disposal of fixed assets	**1**	–	**3**	(2)
Fair value adjustment for private investments	**–**	–	**27**	–
Transaction costs [1]	**(18)**	–	**(18)**	–
Debt redemption penalty	**–**	–	**–**	(17)
Other [2]	**(4)**	7	**(8)**	4
	(21)	7	**4**	(15)

(1) The Company has incurred a number of Transaction related advisory, legal, financial, and other professional fees in connection with the proposed acquisition of Shaw by Rogers. As these costs do not relate to ongoing operations, they have been classified as non-operating expenses. Please refer to Note 1 for further details on the Transaction.

(2) Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

15. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(6)**	**1**	**(5)**
Adjustment for hedged items recognized in the period	**2**	**-**	**2**
	(4)	**1**	**(3)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**5**	**(1)**	**4**
	1	**-**	**1**

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(8)**	**2**	**(6)**
Adjustment for hedged items recognized in the period	**4**	**(1)**	**3**
	(4)	**1**	**(3)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**36**	**(9)**	**27**
	32	**(8)**	**24**

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	2	(1)	1
Adjustment for hedged items recognized in the period	(2)	1	(1)
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	54	(14)	40
	54	(14)	40

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	2	-	2
Adjustment for hedged items recognized in the period	(2)	1	(1)
	-	1	1
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	47	(13)	34
	47	(12)	35

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Accumulated other comprehensive loss is comprised of the following:

	May 31, 2021	August 31, 2020
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**(8)**	(5)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(67)**	(94)
	(75)	(99)

16. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Net income from continuing operations	**354**	184	**734**	513
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**301**	302	**911**	907
Deferred income tax expense	**22**	30	**75**	64
Share-based compensation	**-**	-	**1**	1
Defined benefit pension plans	**3**	3	**6**	4
Net change in contract asset balances	**26**	20	**34**	(25)
Fair value adjustments for private investments	**-**	-	**(27)**	-
Other	**2**	2	**1**	23
Funds flow from operations	**708**	541	**1,735**	1,487

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2021	2020	**2021**	2020
Interest paid	**76**	77	**186**	217
Income taxes paid (net of refunds)	**17**	13	**175**	115
Interest received	**1**	1	**4**	6

(iii) Non-cash transactions:

The Consolidated Statements of Cash Flows exclude the following non-cash transactions:

	Nine months ended May 31,	
	2021	2020
Issuance of Class B Non-Voting Shares:		
Dividend reinvestment plan	**-**	37

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

17. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	May 31, 2021		August 31, 2020	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)(1)	**4,550**	**5,215**	4,548	5,613

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2021 and May 31, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

18. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company conducted its annual impairment test on goodwill and indefinite-life intangibles as at February 1, 2021 and the recoverable amount of the cash generating units exceeded their carrying value.

A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Cable cash generating unit as at February 1, 2021 would not result in any impairment loss. A hypothetical decline of 10% in the recoverable amount of the broadcast rights and licences for the Satellite cash generating unit as at February 1, 2021 would not result in an impairment loss. A hypothetical decline of 10% in the recoverable amount of the Wireless generating unit as at February 1, 2021 would not result in any impairment loss.

Any changes in economic conditions since the impairment testing conducted as at February 1, 2021 do not represent events or changes in circumstance that would be indicative of impairment at May 31, 2021.

Significant estimates inherent to this analysis include discount rates and the terminal value. At February 1, 2021, the estimates that have been utilized in the impairment tests reflect any changes in market conditions and are as follows:

		Terminal value	
	Post-tax discount rate	Terminal growth rate	Terminal adjusted EBITDA multiple
Cable	5.0%	0.0%	9.7x
Satellite	6.0%	-8.0%	6.5x
Wireless	6.0%	1.0%	6.1x

A sensitivity analysis of significant estimates is conducted as part of every impairment test. With respect to the impairment tests performed in the second quarter, the estimated decline in recoverable amount for the sensitivity of significant estimates is as follows:

	Estimated decline in recoverable amount		
		Terminal value	
	1% increase in discount rate	1% decrease in terminal growth rate	0.5 times decrease in terminal adjusted EBITDA multiple
Cable	16.4%	13.8%	1.9%
Satellite	6.5%	4.2%	3.6%
Wireless	21.9%	13.5%	2.1%

This is Exhibit 41 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**February 28, 2022**	**August 31, 2021**
ASSETS		
Current		
Cash and cash equivalents	**351**	355
Accounts receivable	**361**	301
Income taxes recoverable	**11**	87
Inventories	**69**	63
Other current assets *[note 4]*	**364**	331
Current portion of contract assets *[note 13]*	**74**	97
	1,230	1,234
Investments and other assets *[note 18]*	**70**	70
Property, plant and equipment	**5,892**	6,019
Other long-term assets *[note 5]*	**183**	163
Deferred income tax assets	**2**	2
Intangibles	**8,005**	7,996
Goodwill	**280**	280
Contract assets *[note 13]*	**25**	28
	15,687	15,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 7]*	**200**	200
Accounts payable and accrued liabilities	**857**	988
Provisions *[note 8]*	**47**	46
Current portion of contract liabilities *[note 13]*	**204**	213
Current portion of long-term debt *[notes 9 and 18]*	**1**	1
Current portion of lease liabilities *[note 6]*	**112**	110
Current portion of derivatives	**-**	2
	1,421	1,560
Long-term debt *[notes 9 and 18]*	**4,550**	4,549
Lease liabilities *[note 6]*	**1,086**	1,135
Other long-term liabilities *[note 10]*	**11**	26
Provisions *[note 8]*	**78**	77
Deferred credits	**381**	389
Contract liabilities *[note 13]*	**17**	15
Deferred income tax liabilities	**1,964**	1,998
	9,508	9,749
Shareholders' equity *[notes 11 and 16]*		
Common and preferred shareholders	**6,179**	6,043
	15,687	15,792

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2022**	2021	**2022**	2021
Revenue *[notes 3 and 13]*	**1,359**	1,387	**2,745**	2,757
Operating, general and administrative expenses *[note 14]*	**(727)**	(750)	**(1,480)**	(1,513)
Restructuring costs *[note 14]*	**-**	(1)	**-**	(13)
Amortization:				
Deferred equipment revenue	**3**	3	**5**	6
Deferred equipment costs	**(9)**	(12)	**(19)**	(25)
Property, plant and equipment, intangibles and other	**(299)**	(294)	**(591)**	(589)
Operating income	**327**	333	**660**	623
Amortization of financing costs – long-term debt	**-**	-	**(1)**	(1)
Interest expense *[note 9]*	**(65)**	(67)	**(130)**	(133)
Other gains (losses) *[note 15]*	**(5)**	26	**(9)**	24
Income before income taxes	**257**	292	**520**	513
Current income tax expense *[note 3]*	**83**	44	**173**	80
Deferred income tax (recovery) expense	**(22)**	31	**(45)**	53
Net income	**196**	217	**392**	380
Net income attributable to:				
Equity shareholders	**196**	217	**392**	380
Earnings per share: *[note 12]*				
Basic	**0.39**	0.43	**0.79**	0.74
Diluted	**0.39**	0.43	**0.78**	0.74

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended February 28,		Six months ended February 28,	
(millions of Canadian dollars)	**2022**	2021	**2022**	2021
Net income	**196**	217	**392**	380
Other comprehensive income *[note 16]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	(1)	**1**	(2)
Adjustment for hedged items recognized in the period	**-**	1	**1**	2
	(1)	-	**2**	-
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**19**	28	**31**	23
	18	28	**33**	23
Comprehensive income	**214**	245	**425**	403
Comprehensive income attributable to:				
Equity shareholders	**214**	245	**425**	403

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Six months ended February 28, 2022

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2021	**4,199**	**27**	**1,876**	**(59)**	**6,043**
Net income	**-**	**-**	**392**	**-**	**392**
Other comprehensive income	**-**	**-**	**-**	**33**	**33**
Comprehensive income	**-**	**-**	**392**	**33**	**425**
Dividends	**-**	**-**	**(296)**	**-**	**(296)**
Shares issued under stock option plan	**7**	**(1)**	**-**	**-**	**6**
Share-based compensation	**-**	**1**	**-**	**-**	**1**
Balance as at February 28, 2022	**4,206**	**27**	**1,972**	**(26)**	**6,179**

Six months ended February 28, 2021

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2020	4,602	27	1,703	(99)	6,233
Net income	-	-	380	-	380
Other comprehensive income	-	-	-	23	23
Comprehensive income	-	-	380	23	403
Dividends	-	-	(300)	-	(300)
Shares issued under stock option plan	1	-	-	-	1
Shares repurchased	(116)	-	(184)	-	(300)
Balance as at February 28, 2021	4,487	27	1,599	(76)	6,037

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended February 28, 2022	2021	Six months ended February 28, 2022	2021
OPERATING ACTIVITIES				
Funds flow from operations *[note 17]*	**496**	539	**987**	1,027
Net change in non-cash balances	**(9)**	(66)	**(138)**	(254)
	487	473	**849**	773
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(208)**	(218)	**(415)**	(414)
Additions to equipment costs (net) *[note 3]*	**(4)**	(5)	**(8)**	(12)
Additions to other intangibles *[note 3]*	**(46)**	(34)	**(86)**	(76)
Net additions to investments and other assets	**(1)**	-	**(1)**	(1)
Proceeds on disposal of property, plant and equipment	**3**	3	**4**	17
	(256)	(254)	**(506)**	(486)
FINANCING ACTIVITIES				
Payment of lease liabilities *[note 6]*	**(28)**	(27)	**(58)**	(58)
Issue of Class B Shares *[note 11]*	**4**	1	**7**	1
Purchase of Class B Shares	**-**	(225)	**-**	(300)
Dividends paid on Class A Shares and Class B Shares	**(148)**	(149)	**(296)**	(301)
Dividends paid on Preferred Shares	**-**	(2)	**-**	(4)
	(172)	(402)	**(347)**	(662)
Increase (Decrease) in cash	**59**	(183)	**(4)**	(375)
Cash, beginning of the period	**292**	571	**355**	763
Cash, end of the period	**351**	388	**351**	388

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, NYSE - SJR, and TSXV - SJR.A).

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Non-Voting Participating Shares ("Class B Shares") in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Transaction"). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash.

The Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw's Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen's Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen's Bench of Alberta issued a final order approving the plan of arrangement.

On March 24, 2022, the Canadian Radio television and Telecommunications Commission (CRTC) completed its comprehensive review and approved the transfer of Shaw's licenced broadcasting undertakings to Rogers, marking an important milestone towards closing of the Transaction. The Transaction remains subject to other customary closing conditions including approvals from the Competition Bureau and Innovation, Science and Economic Development Canada (ISED). Subject to the receipt of all required approvals, and the satisfaction of all closing conditions, the Transaction is expected to close in the first half of 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three and six months ended February 28, 2022 were authorized for issue by the Board of Directors on April 12, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2021.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Revenue				
Wireline	**1,040**	1,054	**2,097**	2,110
Wireless	**323**	336	**655**	653
	1,363	1,390	**2,752**	2,763
Intersegment eliminations	**(4)**	(3)	**(7)**	(6)
	1,359	1,387	**2,745**	2,757
Adjusted EBITDA(1)				
Wireline	**509**	540	**1,033**	1,072
Wireless	**123**	97	**232**	172
	632	637	**1,265**	1,244
Restructuring costs	**-**	(1)	**-**	(13)
Amortization	**(305)**	(303)	**(605)**	(608)
Operating income	**327**	333	**660**	623
Current taxes				
Operating	**81**	43	**168**	78
Other/non-operating	**2**	1	**5**	2
	83	44	**173**	80

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Capital expenditures accrual basis				
Wireline	**214**	174	**400**	328
Wireless	**30**	71	**69**	144
	244	245	**469**	472
Equipment costs (net of revenue)				
Wireline	**5**	5	**9**	12
Capital expenditures and equipment costs (net)				
Wireline	**219**	179	**409**	340
Wireless	**30**	71	**69**	144
	249	250	**478**	484
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**208**	218	**415**	414
Additions to equipment costs (net)	**4**	5	**8**	12
Additions to other intangibles	**46**	34	**86**	76
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**258**	257	**509**	502
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**(6)**	(4)	**(27)**	(1)
Less: Proceeds on disposal of property, plant and equipment	**(3)**	(3)	**(4)**	(17)
Total capital expenditures and equipment costs (net) reported by segments	**249**	250	**478**	484

4. OTHER CURRENT ASSETS

	February 28, 2022	August 31, 2021
Prepaid expenses	**112**	103
Costs incurred to obtain or fulfill a contract with a customer(1)	**63**	59
Wireless handset receivables(2)	**187**	168
Current portion of derivatives	**2**	1
	364	331

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. OTHER LONG-TERM ASSETS

	February 28, 2022	August 31, 2021
Equipment costs subject to a deferred revenue arrangement	**40**	49
Long-term Wireless handset receivables	**56**	45
Costs incurred to obtain or fulfill a contract with a customer	**35**	33
Credit facility arrangement fees	**2**	3
Pension assets(1)	**22**	-
Other	**28**	33
	183	163

(1) In the first and second quarters of the fiscal year, the accumulated benefit obligation of the Supplemental Executive Retirement Plan was adjusted by $17 and $25, respectively, as a result of a 80 bps increase in the discount rate from August 31, 2021, resulting in the plan being in a net asset position as at February 28, 2022.

6. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2021	1,245
Net additions	11
Interest on lease liabilities	21
Interest payments on lease liabilities	(21)
Principal payments of lease liabilities	(58)
Balance as at February 28, 2022	**1,198**

Current	110
Long-term	1,135
Balance as at August 31, 2021	1,245
Current	**112**
Long-term	**1,086**
Balance as at February 28, 2022	**1,198**

7. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Accounts receivable securitization program, beginning of period	**200**	200	**200**	200
Accounts receivable securitization program, end of period	**200**	200	**200**	200

	February 28, 2022	August 31, 2021
Trade accounts receivable sold to buyer as security	**450**	416
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**250**	216

[all amounts in millions of Canadian dollars, except share and per share amounts]

8. PROVISIONS

	Asset retirement obligations $	Restructuring (1) $	Other $	Total $
Balance as at August 31, 2021	77	2	44	123
Additions	-	-	2	2
Accretion	1	-	-	1
Payments	-	(1)	-	(1)
Balance as at February 28, 2022	**78**	**1**	**46**	**125**
Current	-	2	44	46
Long-term	77	-	-	77
Balance as at August 31, 2021	77	2	44	123
Current	-	1	46	47
Long-term	78	-	-	78
Balance as at February 28, 2022	**78**	**1**	**46**	**125**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2021 made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. A total of $1 has been paid in fiscal 2022 relating to these initiatives. The remaining costs are expected to be paid out within the next 11 months.

9. LONG-TERM DEBT

	February 28, 2022				August 31, 2021		
	Effective interest rates %	**Long-term debt at amortized cost(1)** $	**Adjustment for finance costs (1)** $	**Long-term debt repayable at maturity** $	Long-term debt at amortized cost(1) $	Adjustment for finance costs (1) $	Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**499**	**1**	**500**	499	1	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	299	1	300
4.40% due November 2, 2028	4.40	**496**	**4**	**500**	497	3	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	496	4	500
2.90% due December 9, 2030	2.92	**497**	**3**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,422**	**28**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,504	**46**	**4,550**	4,503	47	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**47**	**-**	**47**	47	-	47
Total consolidated debt		**4,551**	**46**	**4,597**	4,550	47	4,597
Less current portion(2)		**1**	**-**	**1**	1	-	1
		4,550	**46**	**4,596**	4,549	47	4,596

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Interest Expense

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Interest expense – long-term debt	**55**	56	**110**	111
Interest income – short-term (net)	**-**	-	**(1)**	-
Interest on lease liabilities (note 6)	**10**	11	**21**	22
	65	67	**130**	133

10. OTHER LONG-TERM LIABILITIES

	February 28, 2022	August 31, 2021
Pension liabilities[(1)]	**7**	21
Post retirement liabilities	**4**	5
	11	26

(1) In the first and second quarters of the fiscal year, the accumulated benefit obligation of the Supplemental Executive Retirement Plan was adjusted by $17 and $25, respectively, as a result of a 80 bps increase in the discount rate from August 31, 2021, resulting in the plan being in a net asset position as at February 28, 2022.

11. SHARE CAPITAL

Changes in share capital during the six months ended February 28, 2022 are as follows:

	Class A Shares		**Class B Shares**	
	Number	$	Number	$
August 31, 2021	22,372,064	2	476,537,262	4,197
Issued upon stock option plan exercises	-	-	251,880	7
Issued upon restricted share unit exercises	-	-	10,085	-
February 28, 2022	**22,372,064**	**2**	**476,799,227**	**4,204**

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and ended November 4, 2021. As approved by the TSX, the Company had the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020. In connection with the announcement of the Transaction on March 15, 2021 (as discussed in more detail in Note 1), the Company suspended share buybacks under its NCIB program.

Shaw Communications Inc.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

12. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Numerator for basic and diluted earnings per share ($)				
Net income	**196**	217	**392**	380
Deduct: dividends on Preferred Shares	**-**	(2)	**-**	(4)
Net income attributable to common shareholders	**196**	215	**392**	376
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**499**	505	**499**	509
Effect of dilutive securities [(1)]	**2**	-	**2**	-
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**501**	505	**501**	509
Earnings per share ($)				
Basic	**0.39**	0.43	**0.79**	0.74
Diluted	**0.39**	0.43	**0.78**	0.74

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and six months ended February 28, 2022, nil (February 28, 2021 – 8,199,698) and nil (February 28, 2021 – 7,852,637) options were excluded from the diluted earnings per share calculation, respectively.

13. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at August 31, 2021	125	228
Increase in contract assets from revenue recognized during the year	**50**	**-**
Contract assets transferred to trade receivables	**(65)**	**-**
Contract terminations transferred to trade receivables	**(11)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(217)**
Increase in contract liabilities during the year	**-**	**210**
Balance as at February 28, 2022	**99**	**221**

	Contract Assets	Contract Liabilities
Current	97	213
Long-term	28	15
Balance as at August 31, 2021	125	228
Current	**74**	**204**
Long-term	**25**	**17**
Balance as at February 28, 2022	**99**	**221**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the six months ended February 28, 2022. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2021	92
Additions to deferred commission cost assets	**46**
Amortization recognized on deferred commission cost assets	**(40)**
Balance as at February 28, 2022	**98**
Current	59
Long-term	33
Balance as at August 31, 2021	92
Current	**63**
Long-term	**35**
Balance as at February 28, 2022	**98**

Commission costs are amortized over a period ranging from 24 to 36 months.

Disaggregation of revenue

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Services				
Wireline - Consumer	**887**	909	**1,783**	1,820
Wireline - Business	**153**	145	**314**	290
Wireless	**238**	218	**477**	433
	1,278	1,272	**2,574**	2,543
Equipment and other				
Wireless	**85**	118	**178**	220
	85	118	**178**	220
Intersegment eliminations	**(4)**	(3)	**(7)**	(6)
Total revenue	**1,359**	1,387	**2,745**	2,757

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at February 28, 2022.

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total
Wireline	1,762	822	169	91	28	4	2,876
Wireless	345	111	-	-	-	-	456
Total	**2,107**	**933**	**169**	**91**	**28**	**4**	**3,332**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

14. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Employee salaries and benefits[1]	**170**	154	**334**	307
Purchase of goods and services	**557**	597	**1,146**	1,219
	727	751	**1,480**	1,526

(1) For the three and six months ended February 28, 2022, employee salaries and benefits include $nil (February 28, 2021 - $1) and $nil (February 28, 2021 - $13) in restructuring costs, respectively.

15. OTHER GAINS (LOSSES)

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Gain on disposal of fixed assets	**2**	1	**2**	1
Fair value adjustment for private investments	**–**	27	**–**	27
Transaction costs [1]	**(3)**	–	**(5)**	–
Other [2]	**(4)**	(2)	**(6)**	(4)
	(5)	26	**(9)**	24

(1) The Company has incurred a number of Transaction-related advisory, legal, financial, and other professional fees in connection with the proposed acquisition of Shaw by Rogers. As these costs do not relate to ongoing operations, they have been classified as non-operating expenses. Please refer to Note 1 for further details on the Transaction.

(2) Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

16. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended February 28, 2022 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(2)**	**1**	**(1)**
Adjustment for hedged items recognized in the period	**-**	**-**	**-**
	(2)	**1**	**(1)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**26**	**(7)**	**19**
	24	**(6)**	**18**

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2022 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	**-**	**1**
Adjustment for hedged items recognized in the period	**1**	**-**	**1**
	2	**-**	**2**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**42**	**(11)**	**31**
	44	**(11)**	**33**

Components of other comprehensive income and the related income tax effects for the three months ended February 28, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(1)	-	(1)
Adjustment for hedged items recognized in the period	1	-	1
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	38	(10)	28
	38	(10)	28

Components of other comprehensive income and the related income tax effects for the six months ended February 28, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(2)	-	(2)
Adjustment for hedged items recognized in the period	2	-	2
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	31	(8)	23
	31	(8)	23

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Accumulated other comprehensive loss is comprised of the following:

	February 28, 2022	August 31, 2021
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	(1)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(27)**	(58)
	(26)	(59)

17. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Net income from operations	**196**	217	**392**	380
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**305**	303	**606**	609
Deferred income tax expense (recovery)	**(22)**	31	**(45)**	53
Share-based compensation	**1**	1	**1**	1
Defined benefit pension plans	**2**	3	**5**	3
Net change in contract asset balances	**12**	13	**25**	8
Fair value adjustments for private investments	**-**	(27)	**-**	(27)
Other	**2**	(2)	**3**	-
Funds flow from operations	**496**	539	**987**	1,027

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended February 28,		Six months ended February 28,	
	2022	2021	**2022**	2021
Interest paid	**34**	35	**112**	110
Income taxes paid (net of refunds)	**43**	64	**97**	158
Interest received	**-**	1	**1**	3

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

18. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	February 28, 2022		August 31, 2021	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,551**	**4,896**	4,550	5,263

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

February 28, 2022 and February 28, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

19. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company performs its annual impairment test on goodwill and indefinite-life intangibles as at February 1 each year. There have been no changes to the assets and liabilities making up the CGUs since the last test performed as at February 1, 2021. The prior test also resulted in a recoverable amount that exceeded the carrying amount by a substantial margin. The Company performed a qualitative assessment of the factors impacting the determination of recoverable amount and concluded that the likelihood that a recoverable amount calculation as at February 1, 2022, would be less than the carrying amount of the CGUs is remote. As such, the key assumptions used in the impairment test remain consistent with those disclosed for the February 1, 2021 test.

This is Exhibit 42 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	**November 30, 2021**	**August 31, 2021**
ASSETS		
Current		
Cash and cash equivalents	**292**	355
Accounts receivable	**313**	301
Income taxes recoverable	**51**	87
Inventories	**54**	63
Other current assets *[note 4]*	**362**	331
Current portion of contract assets *[note 11]*	**85**	97
	1,157	1,234
Investments and other assets *[note 16]*	**70**	70
Property, plant and equipment	**5,936**	6,019
Other long-term assets	**177**	163
Deferred income tax assets	**2**	2
Intangibles	**8,007**	7,996
Goodwill	**280**	280
Contract assets *[note 11]*	**27**	28
	15,656	15,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 6]*	**200**	200
Accounts payable and accrued liabilities	**852**	988
Provisions *[note 7]*	**47**	46
Current portion of contract liabilities *[note 11]*	**212**	213
Current portion of long-term debt *[notes 8 and 16]*	**1**	1
Current portion of lease liabilities *[note 5]*	**111**	110
Current portion of derivatives	**-**	2
	1,423	1,560
Long-term debt *[notes 8 and 16]*	**4,550**	4,549
Lease liabilities *[note 5]*	**1,103**	1,135
Other long-term liabilities	**12**	26
Provisions *[note 7]*	**77**	77
Deferred credits	**385**	389
Contract liabilities *[note 11]*	**16**	15
Deferred income tax liabilities	**1,980**	1,998
	9,546	9,749
Shareholders' equity *[notes 9 and 14]*		
Common and preferred shareholders	**6,110**	6,043
	15,656	15,792

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2021**	2020
Revenue *[notes 3 and 11]*	**1,386**	1,370
Operating, general and administrative expenses *[note 12]*	**(753)**	(763)
Restructuring costs *[notes 7 and 12]*	**-**	(12)
Amortization:		
Deferred equipment revenue	**2**	3
Deferred equipment costs	**(10)**	(13)
Property, plant and equipment, intangibles and other	**(292)**	(295)
Operating income	**333**	290
Amortization of financing costs – long-term debt	**(1)**	(1)
Interest expense *[note 8]*	**(65)**	(66)
Other (losses) *[note 13]*	**(4)**	(2)
Income before income taxes	**263**	221
Current income tax expense *[note 3]*	**90**	36
Deferred income tax (recovery) expense	**(23)**	22
Net income	**196**	163
Net income attributable to:		
Equity shareholders	**196**	**163**
Earnings per share: *[note 10]*		
Basic and diluted	**0.39**	**0.31**

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	Three months ended November 30,	
(millions of Canadian dollars)	**2021**	2020
Net income	**196**	163
Other comprehensive income *[note 14]*		
Items that may subsequently be reclassified to income:		
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	(1)
Adjustment for hedged items recognized in the period	**1**	1
	3	-
Items that will not subsequently be reclassified to income:		
Remeasurements on employee benefit plans	**12**	(5)
	15	(5)
Comprehensive income	**211**	158
Comprehensive income attributable to:		
Equity shareholders	**211**	158

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Three months ended November 30, 2021

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2021	**4,199**	**27**	**1,876**	**(59)**	**6,043**
Net income	**-**	**-**	**196**	**-**	**196**
Other comprehensive income	**-**	**-**	**-**	**15**	**15**
Comprehensive income	**-**	**-**	**196**	**15**	**211**
Dividends	**-**	**-**	**(148)**	**-**	**(148)**
Shares issued under stock option plan	**4**	**-**	**-**	**-**	**4**
Balance as at November 30, 2021	**4,203**	**27**	**1,924**	**(44)**	**6,110**

Three months ended November 30, 2020

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2020	4,602	27	1,703	(99)	6,233
Net income	-	-	163	-	163
Other comprehensive income	-	-	-	(5)	(5)
Comprehensive income	-	-	163	(5)	158
Dividends	-	-	(151)	-	(151)
Shares issued under stock option plan	1	-	-	-	1
Shares repurchased	(30)	-	(46)	-	(76)
Balance as at November 30, 2020	4,573	27	1,669	(104)	6,165

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended November 30, **2021**	2020
OPERATING ACTIVITIES		
Funds flow from operations *[note 15]*	**491**	488
Net change in non-cash balances	**(129)**	(188)
	362	300
INVESTING ACTIVITIES		
Additions to property, plant and equipment *[note 3]*	**(207)**	(196)
Additions to equipment costs (net) *[note 3]*	**(4)**	(7)
Additions to other intangibles *[note 3]*	**(40)**	(42)
Net additions to investments and other assets	**-**	(1)
Proceeds on disposal of property, plant and equipment	**1**	14
	(250)	(232)
FINANCING ACTIVITIES		
Payment of lease liabilities *[note 5]*	**(30)**	(31)
Issue of Class B Shares *[note 9]*	**3**	-
Purchase of Class B Shares	**-**	(75)
Dividends paid on Class A Shares and Class B Shares	**(148)**	(152)
Dividends paid on Preferred Shares	**-**	(2)
	(175)	(260)
(Decrease) in cash	**(63)**	(192)
Cash, beginning of the period	**355**	763
Cash, end of the period	**292**	571

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, NYSE - SJR, and TSXV - SJR.A).

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Non-Voting Participating Shares ("Class B Shares") in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Transaction"). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash.

The Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw's Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen's Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen's Bench of Alberta issued a final order approving the plan of arrangement.

The Transaction remains subject to other customary closing conditions including approvals from certain Canadian regulators, including the Competition Bureau, Innovation, Science and Economic Development Canada (ISED) and the Canadian Radio-television and Telecommunications Commission (CRTC). Subject to the receipt of all required approvals, and the satisfaction of all closing conditions, the Transaction is expected to close in the first half of 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three months ended November 30, 2021 were authorized for issue by the Audit Committee on January 11, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2021.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended November 30,	
	2021	2020
Revenue		
Wireline	**1,057**	1,056
Wireless	**332**	317
	1,389	1,373
Intersegment eliminations	**(3)**	(3)
	1,386	1,370
Adjusted EBITDA(1)		
Wireline	**524**	532
Wireless	**109**	75
	633	607
Restructuring costs	**-**	(12)
Amortization	**(300)**	(305)
Operating income	**333**	290
Current taxes		
Operating	**87**	35
Other/non-operating	**3**	1
	90	36

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended November 30,	
	2021	2020
Capital expenditures accrual basis		
Wireline	**186**	154
Wireless	**39**	73
	225	227
Equipment costs (net of revenue)		
Wireline	**4**	7
Capital expenditures and equipment costs (net)		
Wireline	**190**	161
Wireless	**39**	73
	229	234
Reconciliation to Consolidated Statements of Cash Flows		
Additions to property, plant and equipment	**207**	196
Additions to equipment costs (net)	**4**	7
Additions to other intangibles	**40**	42
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**251**	245
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**(21)**	3
Less: Proceeds on disposal of property, plant and equipment	**(1)**	(14)
Total capital expenditures and equipment costs (net) reported by segments	**229**	234

4. OTHER CURRENT ASSETS

	November 30, 2021	August 31, 2021
Prepaid expenses	**116**	103
Costs incurred to obtain or fulfill a contract with a customer(1)	**61**	59
Wireless handset receivables(2)	**185**	168
Current Portion of Derivatives	**-**	1
	362	331

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2021	1,245
Net additions	(1)
Interest on lease liabilities	11
Interest payments on lease liabilities	(11)
Principal payments of lease liabilities	(30)
Balance as at November 30, 2021	**1,214**
Current	110
Long-term	1,135
Balance as at August 31, 2021	1,245
Current	**111**
Long-term	**1,103**
Balance as at November 30, 2021	**1,214**

6. SHORT-TERM BORROWINGS

A summary of our accounts receivable securitization program is as follows:

	Three months ended November 30,	
	2021	2020
Accounts receivable securitization program, beginning of period	**200**	200
Accounts receivable securitization program, end of period	**200**	200

	November 30, 2021	August 31, 2021
Trade accounts receivable sold to buyer as security	**412**	416
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**212**	216

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. PROVISIONS

	Asset retirement obligations $	Restructuring [(1)] $	Other $	Total $
Balance as at August 31, 2021	77	2	44	123
Additions	-	-	1	1
Accretion	-	-	-	-
Payments	-	-	-	-
Balance as at November 30, 2021	**77**	**2**	**45**	**124**
Current	-	2	44	46
Long-term	77	-	-	77
Balance as at August 31, 2021	77	2	44	123
Current	**-**	**2**	**45**	**47**
Long-term	**77**	**-**	**-**	**77**
Balance as at November 30, 2021	**77**	**2**	**45**	**124**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2021 made a number of changes to its organizational structure in an effort to streamline the business, consolidate certain functions, and reduce redundancies between the Wireless and Wireline segments. A total of $nil has been paid in fiscal 2022 relating to these initiatives. The remaining costs are expected to be paid out within the next 2 months.

8. LONG-TERM DEBT

	November 30, 2021				August 31, 2021		
	Effective interest rates %	**Long-term debt at amortized cost[(1)] $**	**Adjustment for finance costs [(1)] $**	**Long-term debt repayable at maturity $**	Long-term debt at amortized cost[(1)] $	Adjustment for finance costs [(1)] $	Long-term debt repayable at maturity $
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**499**	**1**	**500**	499	1	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	299	1	300
4.40% due November 2, 2028	4.40	**497**	**3**	**500**	497	3	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	496	4	500
2.90% due December 9, 2030	2.92	**496**	**4**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,422**	**28**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,504	**46**	**4,550**	4,503	47	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**47**	**-**	**47**	47	-	47
Total consolidated debt		**4,551**	**46**	**4,597**	4,550	47	4,597
Less current portion[(2)]		**1**	**-**	**1**	1	-	1
		4,550	**46**	**4,596**	4,549	47	4,596

(1) Long-term debt is presented net of unamortized discounts and finance costs.
(2) Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Interest Expense

	Three months ended November 30,	
	2021	2020
Interest expense – long-term debt	**55**	55
Interest income – short-term (net)	**(1)**	-
Interest on lease liabilities (note 5)	**11**	11
	65	66

9. SHARE CAPITAL

Changes in share capital during the three months ended November 30, 2021 are as follows:

	Class A Shares		**Class B Shares**	
	Number	$	Number	$
August 31, 2021	22,372,064	2	476,537,262	4,197
Issued upon stock option plan exercises	-	-	128,158	4
November 30, 2021	**22,372,064**	**2**	**476,665,420**	**4,201**

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and ended November 4, 2021. As approved by the TSX, the Company had the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020. In connection with the announcement of the Transaction on March 15, 2021 (as discussed in more detail in Note 1), the Company suspended share buybacks under its NCIB program.

10. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended November 30,	
	2021	2020
Numerator for basic and diluted earnings per share ($)		
Net income	**196**	163
Deduct: dividends on Preferred Shares	**-**	(2)
Net income attributable to common shareholders	**196**	161
Denominator (millions of shares)		
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**499**	513
Effect of dilutive securities [1]	**2**	-
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**501**	513
Basic and diluted earnings per share ($)	**0.39**	0.31

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three months ended November 30, 2021, nil (November 30, 2020 – 6,736,626) options were excluded from the diluted earnings per share calculation.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

11. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at August 31, 2021	125	228
Increase in contract assets from revenue recognized during the year	**27**	**-**
Contract assets transferred to trade receivables	**(35)**	**-**
Contract terminations transferred to trade receivables	**(5)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(215)**
Increase in contract liabilities during the year	**-**	**215**
Balance as at November 30, 2021	**112**	**228**

	Contract Assets	Contract Liabilities
Current	97	213
Long-term	28	15
Balance as at August 31, 2021	125	228
Current	**85**	**212**
Long-term	**27**	**16**
Balance as at November 30, 2021	**112**	**228**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the three months ended November 30, 2021. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2021	92
Additions to deferred commission cost assets	**25**
Amortization recognized on deferred commission cost assets	**(20)**
Balance as at November 30, 2021	**97**

Current	59
Long-term	33
Balance as at August 31, 2021	92
Current	**61**
Long-term	**36**
Balance as at November 30, 2021	**97**

Commission costs are amortized over a period ranging from 24 to 36 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Disaggregation of revenue

	Three months ended November 30,	
	2021	2020
Services		
Wireline - Consumer	**896**	911
Wireline - Business	**161**	145
Wireless	**239**	215
	1,296	1,271
Equipment and other		
Wireless	**93**	102
	93	102
Intersegment eliminations	**(3)**	(3)
Total revenue	**1,386**	1,370

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at November 30, 2021.

	Within 1 year	Within 2 years	Within 3 years	Within 4 years	Within 5 years	Thereafter	Total
Wireline	1,711	824	183	98	34	5	2,855
Wireless	352	104	-	-	-	-	456
Total	**2,063**	**928**	**183**	**98**	**34**	**5**	**3,311**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

12. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended November 30,	
	2021	2020
Employee salaries and benefits(1)	**164**	153
Purchase of goods and services	**589**	622
	753	775

(1) For the three months ended November 30, 2021, employee salaries and benefits include $nil (November 30, 2020 - $12) in restructuring costs.

13. OTHER GAINS (LOSSES)

	Three months ended November 30,	
	2021	2020
Transaction costs (1)	**(2)**	–
Other (2)	**(2)**	(2)
	(4)	(2)

(1) The Company has incurred a number of Transaction-related advisory, legal, financial, and other professional fees in connection with the proposed acquisition of Shaw by Rogers. As these costs do not relate to ongoing operations, they have been classified as non-operating expenses. Please refer to Note 1 for further details on the Transaction.

(2) Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

14. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**3**	**(1)**	**2**
Adjustment for hedged items recognized in the period	**1**	**-**	**1**
	4	**(1)**	**3**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**16**	**(4)**	**12**
	20	**(5)**	**15**

Components of other comprehensive income and the related income tax effects for the three months ended November 30, 2020 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(1)	-	(1)
Adjustment for hedged items recognized in the period	1	-	1
	-	-	-
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	(7)	2	(5)
	(7)	2	(5)

Accumulated other comprehensive loss is comprised of the following:

	November 30, 2021	August 31, 2021
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**2**	(1)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(46)**	(58)
	(44)	(59)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

15. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended November 30,	
	2021	2020
Net income from operations	**196**	163
Adjustments to reconcile net income to funds flow from operations:		
Amortization	**301**	306
Deferred income tax expense (recovery)	**(23)**	22
Defined benefit pension plans	**3**	-
Net change in contract asset balances	**13**	(5)
Other	**1**	2
Funds flow from operations	**491**	488

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended November 30,	
	2021	2020
Interest paid	**78**	75
Income taxes paid (net of refunds)	**54**	94
Interest received	**1**	2

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

November 30, 2021 and November 30, 2020
[all amounts in millions of Canadian dollars, except share and per share amounts]

16. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	November 30, 2021		August 31, 2021	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,551**	**5,110**	4,550	5,263

[1] Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

This is Exhibit 43 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(unaudited)

(millions of Canadian dollars)	May 31, 2022	August 31, 2021
ASSETS		
Current		
Cash and cash equivalents	**490**	355
Accounts receivable	**336**	301
Income taxes recoverable	**-**	87
Inventories	**76**	63
Other current assets *[note 4]*	**367**	331
Current portion of contract assets *[note 13]*	**66**	97
	1,335	1,234
Investments and other assets *[note 18]*	**70**	70
Property, plant and equipment	**5,872**	6,019
Other long-term assets *[note 5]*	**175**	163
Deferred income tax assets	**2**	2
Intangibles	**8,003**	7,996
Goodwill	**280**	280
Contract assets *[note 13]*	**23**	28
	15,760	15,792
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Short-term borrowings *[note 7]*	**200**	200
Accounts payable and accrued liabilities	**819**	988
Provisions *[note 8]*	**47**	46
Income taxes payable	**18**	-
Current portion of contract liabilities *[note 13]*	**204**	213
Current portion of long-term debt *[notes 9 and 18]*	**1**	1
Current portion of lease liabilities *[note 6]*	**113**	110
Current portion of derivatives	**1**	2
	1,403	1,560
Long-term debt *[notes 9 and 18]*	**4,551**	4,549
Lease liabilities *[note 6]*	**1,064**	1,135
Other long-term liabilities *[note 10]*	**7**	26
Provisions *[note 8]*	**78**	77
Deferred credits	**377**	389
Contract liabilities *[note 13]*	**18**	15
Deferred income tax liabilities	**1,963**	1,998
	9,461	9,749
Shareholders' equity *[notes 11 and 16]*		
Common and preferred shareholders	**6,299**	6,043
	15,760	15,792

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, 2022	2021	Nine months ended May 31, 2022	2021
Revenue *[notes 3 and 13]*	**1,346**	1,375	**4,091**	4,132
Operating, general and administrative expenses *[note 14]*	**(702)**	(733)	**(2,181)**	(2,246)
Restructuring costs *[note 14]*	**-**	(1)	**-**	(14)
Amortization:				
Deferred equipment revenue	**2**	3	**7**	9
Deferred equipment costs	**(11)**	(11)	**(30)**	(37)
Property, plant and equipment, intangibles and other	**(295)**	(292)	**(886)**	(881)
Operating income	**340**	341	**1,001**	963
Amortization of financing costs – long-term debt	**(1)**	(1)	**(2)**	(2)
Interest expense *[note 9]*	**(66)**	(31)	**(196)**	(164)
Other gains (losses) *[note 15]*	**(3)**	(21)	**(13)**	4
Income before income taxes	**270**	288	**790**	801
Current income tax (recovery) expense *[note 3]*	**71**	(88)	**244**	(8)
Deferred income tax (recovery) expense	**(4)**	22	**(49)**	75
Net income	**203**	354	**595**	734
Net income attributable to:				
Equity shareholders	**203**	354	**595**	734
Earnings per share: *[note 12]*				
Basic	**0.41**	0.71	**1.19**	1.44
Diluted	**0.41**	0.70	**1.19**	1.44

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, **2022**	2021	Nine months ended May 31, **2022**	2021
Net income	**203**	354	**595**	734
Other comprehensive income *[note 16]*				
Items that may subsequently be reclassified to income:				
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	(5)	**1**	(6)
Adjustment for hedged items recognized in the period	**-**	2	**-**	3
	(1)	(3)	**1**	(3)
Items that will not subsequently be reclassified to income:				
Remeasurements on employee benefit plans	**10**	4	**41**	27
	9	1	**42**	24
Comprehensive income	**212**	355	**637**	758
Comprehensive income attributable to:				
Equity shareholders	**212**	355	**637**	758

See accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(unaudited)

Nine months ended May 31, 2022

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2021	**4,199**	**27**	**1,876**	**(59)**	**6,043**
Net income	**-**	**-**	**595**	**-**	**595**
Other comprehensive income	**-**	**-**	**-**	**42**	**42**
Comprehensive income	**-**	**-**	**595**	**42**	**637**
Dividends	**-**	**-**	**(394)**	**-**	**(394)**
Shares issued under stock option plan	**13**	**(1)**	**-**	**-**	**12**
Share-based compensation	**-**	**1**	**-**	**-**	**1**
Balance as at May 31, 2022	**4,212**	**27**	**2,077**	**(17)**	**6,299**

Nine months ended May 31, 2021

	Attributable to equity shareholders				
(millions of Canadian dollars)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Total equity
Balance as at September 1, 2020	4,602	27	1,703	(99)	6,233
Net income	-	-	734	-	734
Other comprehensive income	-	-	-	24	24
Comprehensive income	-	-	734	24	758
Dividends	-	-	(451)	-	(451)
Shares issued under stock option plan	16	(1)	-	-	15
Shares repurchased	(129)	-	(207)	-	(336)
Preferred shares reclassified to current liabilities	(293)	-	(7)	-	(300)
Share-based compensation	-	1	-	-	1
Balance as at May 31, 2021	4,196	27	1,772	(75)	5,920

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(millions of Canadian dollars)	Three months ended May 31, **2022**	2021	Nine months ended May 31, **2022**	2021
OPERATING ACTIVITIES				
Funds flow from operations *[note 17]*	**518**	708	**1,505**	1,735
Net change in non-cash balances	**46**	(148)	**(92)**	(402)
	564	560	**1,413**	1,333
INVESTING ACTIVITIES				
Additions to property, plant and equipment *[note 3]*	**(230)**	(227)	**(645)**	(641)
Additions to equipment costs (net) *[note 3]*	**(1)**	(4)	**(9)**	(16)
Additions to other intangibles *[note 3]*	**(35)**	(31)	**(121)**	(107)
Net additions to investments and other assets	**-**	-	**(1)**	(1)
Proceeds on disposal of property, plant and equipment	**12**	2	**16**	19
	(254)	(260)	**(760)**	(746)
FINANCING ACTIVITIES				
Repayment of long-term debt	**(1)**	(1)	**(1)**	(1)
Payment of lease liabilities *[note 6]*	**(27)**	(24)	**(85)**	(82)
Issue of Class B Shares *[note 11]*	**5**	14	**12**	15
Purchase of Class B Shares	**-**	(36)	**-**	(336)
Dividends paid on Class A Shares and Class B Shares	**(148)**	(148)	**(444)**	(449)
Dividends paid on Preferred Shares	**-**	(2)	**-**	(6)
	(171)	(197)	**(518)**	(859)
Increase (Decrease) in cash	**139**	103	**135**	(272)
Cash, beginning of the period	**351**	388	**355**	763
Cash, end of the period	**490**	491	**490**	491

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

1. CORPORATE INFORMATION

Shaw Communications Inc. (the "Company") is a diversified Canadian connectivity company whose core operating business is providing: Cable telecommunications, Satellite video services and data networking to residential customers, businesses and public-sector entities ("Wireline"); and wireless services for voice and data communications ("Wireless"). The Company's shares are listed on the Toronto Stock Exchange (TSX), TSX Venture Exchange (TSXV) and New York Stock Exchange (NYSE) (Symbol: TSX - SJR.B, NYSE - SJR, and TSXV - SJR.A).

On March 15, 2021, the Company announced that it had entered into an arrangement agreement (the "Arrangement Agreement") with Rogers Communications Inc. ("Rogers"), under which Rogers will acquire all of Shaw's issued and outstanding Class A Participating Shares ("Class A Shares") and Class B Non-Voting Participating Shares ("Class B Shares") in a transaction valued at approximately $26 billion, inclusive of approximately $6 billion of Shaw debt (the "Rogers-Shaw Transaction"). Holders of Shaw Class A Shares and Class B Shares (other than the Shaw Family Living Trust, the controlling shareholder of Shaw, and related persons (collectively the "Shaw Family Shareholders")) will receive $40.50 per share in cash. The Shaw Family Shareholders will receive 60% of the consideration for their shares in the form of Class B Non-Voting Shares of Rogers (the "Rogers Shares") on the basis of the volume-weighted average trading price for the Rogers Shares for the 10 trading days ending March 12, 2021, and the balance in cash.

The Rogers-Shaw Transaction is being implemented by way of a court-approved plan of arrangement under the *Business Corporations Act* (Alberta). At the special meeting of Shaw shareholders held on May 20, 2021, the Company obtained approval of the plan of arrangement by the holders of Shaw's Class A Shares and Class B Shares in the manner required by the interim order granted by the Court of Queen's Bench of Alberta on April 19, 2021. On May 25, 2021, the Court of Queen's Bench of Alberta issued a final order approving the plan of arrangement.

Regulatory Approval Status

On March 24, 2022, the CRTC completed its comprehensive review and approved the transfer of Shaw's licenced broadcasting undertakings to Rogers, marking an important milestone towards closing of the Rogers-Shaw Transaction. On April 27, 2022, the National Pensioners Federation and Public Interest Advocacy Centre (NPF-PIAC) filed a Petition to the federal Cabinet requesting that the CRTC decision approving the change of ownership and effective control of Shaw's licensed broadcasting assets be set aside or referred back to the CRTC for reconsideration and hearing. On June 22, 2022, Cabinet declined to consider the NPF-PIAC Petition.

The Rogers-Shaw Transaction remains under review by Innovation, Science and Economic Development Canada ("ISED"), as the Minister of Innovation, Science and Industry must approve any direct or indirect transfer of Shaw's spectrum licences.

In accordance with the terms of the Arrangement Agreement, Rogers and Shaw filed pre-merger notifications pursuant to Part IX of the Competition Act (Canada) in April 2021 to trigger the Competition Bureau's review of the Rogers-Shaw Transaction. On May 9, 2022, the Commissioner of Competition (the "Commissioner") filed applications to the Competition Tribunal (the "Tribunal") seeking an order to prevent the Rogers-Shaw Transaction from proceeding and an interim injunction to prevent closing until the Competition Bureau's case can be heard by the Tribunal. The Commissioner must ultimately prove his case before the Tribunal in a hearing in order to prevent the Rogers-Shaw Transaction from being completed.

On May 30, 2022, the Commissioner's interim injunction application was resolved on the basis that Rogers and Shaw agreed to not proceed with closing the Rogers-Shaw Transaction until either a negotiated settlement is agreed with the Commissioner or the Tribunal has ruled on the matter. As a result, there is no need for the Tribunal to hear the Commissioner's application for an interim injunction. Resolving the interim injunction application allows the parties to focus on addressing the Commissioner's concerns with the Rogers-Shaw Transaction in order to reach a settlement.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Agreement to Sell Freedom Mobile to Quebecor

Subsequent to quarter-end, on June 17, 2022, Rogers and Shaw entered into a divestiture agreement for the sale of Freedom Mobile to Quebecor Inc. ("Quebecor") for a purchase price of $2.85 billion (the "Freedom Transaction"), which is subject to regulatory approvals from the Commissioner and the Minister of Innovation, Science and Industry (the "Minister"), and conditional on: (i) the completion of the Rogers-Shaw Transaction; and (ii) entering into definitive documentation on or before July 15, 2022, or such later date as Rogers and Quebecor reasonably agree to in writing. Shaw, Rogers and Quebecor strongly believe the agreement effectively addresses the concerns raised by the Commissioner and the Minister regarding viable and sustainable wireless competition in Canada.

Under the terms of the divestiture agreement, Quebecor will acquire all Freedom Mobile-branded wireless and Internet customers as well as all of Freedom Mobile's infrastructure, spectrum and retail locations. The agreement does not contemplate the divestiture of Shaw Mobile-branded wireless subscribers. The Freedom Transaction includes long-term agreements by Shaw and Rogers to provide Quebecor transport services (including backhaul and backbone), roaming services and other services for the provision of Freedom's mobile wireless network. Rogers and Quebecor will provide each other with customary transition services as are necessary to operate Freedom's business for a reasonable period of time post-closing and to facilitate the separation of Freedom's business from the other businesses and operations of Shaw and its affiliates. The parties will work expeditiously and in good faith to finalize definitive documentation on or before July 15, 2022, or such later date as Rogers and Quebecor reasonably agree to in writing. Closing of the Freedom Transaction will occur substantially concurrently with closing of the Rogers-Shaw Transaction.

Rogers and Shaw Continue to Work with Regulatory Authorities to Secure the Requisite Regulatory Approvals

Rogers and Shaw continue to engage constructively with the Competition Bureau in an effort to reach a negotiated settlement, which offers the most expeditious path forward to closing the Rogers-Shaw Transaction and delivering its benefits to Canadians. While the divestiture agreement with Quebecor provides a basis for advancing settlement negotiations with the Commissioner, Rogers and Shaw are also taking the necessary steps to oppose the Commissioner's application to prevent the Rogers-Shaw Transaction. On June 3, 2022, each of Rogers and Shaw filed a written response disputing the basis for the Commissioner's application, and on June 16, 2022, the Commissioner filed his written reply to these responses. On June 17, 2022, the Tribunal issued an order setting the timeframe for its consideration of the Commissioner's application. The Tribunal's scheduling order includes a voluntary mediation process, currently scheduled for July, in which the parties have agreed to participate. Should it be required, the Tribunal hearing of the Commissioner's application is expected to occur in November and December of this calendar year.

In order to permit continued engagement with the pending regulatory approval processes, Rogers, Shaw and the Shaw Family Living Trust agreed to extend the Outside Date for closing the Rogers-Shaw Transaction from June 13, 2022 to July 31, 2022 in accordance with the terms of the Arrangement Agreement. Subject to receipt of all required approvals and satisfaction of all closing conditions, the parties are working towards closing of Rogers-Shaw Transaction on or before July 31, 2022. Nonetheless, the time required for Rogers and Shaw to address the Commissioner's concerns and agree on the terms of a negotiated settlement with the Commissioner (or any associated litigation, including the Tribunal hearing), as well as ISED approval, and any appeals of the outcomes of these processes, is uncertain and could result in further delays in or prevent the closing of the Rogers-Shaw Transaction.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

Statement of compliance

These condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

The condensed interim consolidated financial statements of the Company for the three and nine months ended May 31, 2022 were authorized for issue by the Board of Directors on June 30, 2022.

Basis of presentation

These condensed interim consolidated financial statements have been prepared primarily under the historical cost convention except as detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021 and are expressed in millions of Canadian dollars unless otherwise indicated. The condensed interim consolidated statements of income are presented using the nature classification for expenses.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed by IFRS in the Company's annual consolidated financial statements. As a result, these condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2021.

The condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

3. BUSINESS SEGMENT INFORMATION

The Company's chief operating decision makers are the Executive Chair & Chief Executive Officer, the President, and the Executive Vice President, Chief Financial & Corporate Development Officer and they review the operating performance of the Company by segments, which are comprised of Wireline and Wireless. The chief operating decision makers utilize adjusted earnings before interest, income taxes, depreciation and amortization ("adjusted EBITDA") for each segment as a key measure in making operating decisions and assessing performance.

The Wireline segment provides Cable telecommunications services including Video, Internet, WiFi, Phone, Satellite Video and data networking through a national fibre-optic backbone network to Canadian consumers, North American businesses and public-sector entities. The Wireless segment provides wireless services for voice and data communications serving customers in Ontario, British Columbia and Alberta through Freedom Mobile and in British Columbia and Alberta through Shaw Mobile.

Both of the Company's reportable segments are substantially located in Canada. Information on operations by segment is as follows:

Operating information

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Revenue				
Wireline	**1,038**	1,080	**3,135**	3,190
Wireless	**311**	298	**966**	951
	1,349	1,378	**4,101**	4,141
Intersegment eliminations	**(3)**	(3)	**(10)**	(9)
	1,346	1,375	**4,091**	4,132
Adjusted EBITDA(1)				
Wireline	**515**	527	**1,548**	1,599
Wireless	**129**	115	**362**	287
	644	642	**1,910**	1,886
Restructuring costs	**-**	(1)	**-**	(14)
Amortization	**(304)**	(300)	**(909)**	(909)
Operating income	**340**	341	**1,001**	963
Current taxes				
Operating	**71**	39	**239**	117
Other/non-operating	**-**	(127)	**5**	(125)
	71	(88)	**244**	(8)

(1) Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers; the Company defines adjusted EBITDA as revenues less operating, general and administrative expenses.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Capital expenditures

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Capital expenditures accrual basis				
Wireline	**236**	158	**637**	486
Wireless	**29**	70	**98**	214
	265	228	**735**	700
Equipment costs (net of revenue)				
Wireline	**1**	5	**9**	16
Capital expenditures and equipment costs (net)				
Wireline	**237**	163	**646**	502
Wireless	**29**	70	**98**	214
	266	233	**744**	716
Reconciliation to Consolidated Statements of Cash Flows				
Additions to property, plant and equipment	**230**	227	**645**	641
Additions to equipment costs (net)	**1**	4	**9**	16
Additions to other intangibles	**35**	31	**121**	107
Total of capital expenditures and equipment costs (net) per Consolidated Statements of Cash Flows	**266**	262	**775**	764
Increase/(decrease) in working capital and other liabilities related to capital expenditures	**12**	(27)	**(15)**	(29)
Less: Proceeds on disposal of property, plant and equipment	**(12)**	(2)	**(16)**	(19)
Total capital expenditures and equipment costs (net) reported by segments	**266**	233	**744**	716

4. OTHER CURRENT ASSETS

	May 31, 2022	August 31, 2021
Prepaid expenses	**127**	103
Costs incurred to obtain or fulfill a contract with a customer[1]	**61**	59
Wireless handset receivables[2]	**179**	168
Current portion of derivatives	**-**	1
	367	331

(1) Costs incurred to obtain or fulfill a contract with a customer are capitalized and subsequently amortized as an expense over the average life of a customer.

(2) As described in the revenue and expenses accounting policy detailed in the significant accounting policies disclosed in the Company's consolidated financial statements for the year ended August 31, 2021, these amounts relate to the current portion of wireless handset receivables.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

5. OTHER LONG-TERM ASSETS

	May 31, 2022	August 31, 2021
Equipment costs subject to a deferred revenue arrangement	**31**	49
Long-term Wireless handset receivables	**55**	45
Costs incurred to obtain or fulfill a contract with a customer	**38**	33
Credit facility arrangement fees	**2**	3
Pension assets[(1)]	**28**	-
Other	**21**	33
	175	163

(1) In the first nine months of the fiscal year, the accumulated benefit obligation of the Supplemental Executive Retirement Plan was adjusted by $88 as a result of a 190 bps increase in the discount rate from August 31, 2021, partially offset by a $40 decrease in the plan asset values, resulting in the plan being in a net asset position as at May 31, 2022.

6. LEASE LIABILITIES

Below is a summary of the activity related to the Company's lease liabilities.

August 31, 2021	1,245
Net additions	18
Interest on lease liabilities	31
Interest payments on lease liabilities	(31)
Principal payments of lease liabilities	(85)
Other	(1)
Balance as at May 31, 2022	**1,177**
Current	110
Long-term	1,135
Balance as at August 31, 2021	1,245
Current	**113**
Long-term	**1,064**
Balance as at May 31, 2022	**1,177**

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

7. SHORT-TERM BORROWINGS

Effective May 26, 2022, the Company amended the terms of its accounts receivable securitization program to extend the term of the program to May 31, 2023.

A summary of our accounts receivable securitization program is as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Accounts receivable securitization program, beginning of period	**200**	200	**200**	200
Accounts receivable securitization program, end of period	**200**	200	**200**	200

	May 31, 2022	August 31, 2021
Trade accounts receivable sold to buyer as security	**413**	416
Short-term borrowings from buyer	**(200)**	(200)
Over-collateralization	**213**	216

8. PROVISIONS

	Asset retirement obligations $	**Restructuring [(1)] $**	**Other $**	**Total $**
Balance as at August 31, 2021	77	2	44	123
Additions	-	-	2	2
Accretion	1	-	-	1
Payments	-	(1)	-	(1)
Balance as at May 31, 2022	**78**	**1**	**46**	**125**
Current	-	2	44	46
Long-term	77	-	-	77
Balance as at August 31, 2021	77	2	44	123
Current	-	1	46	47
Long-term	78	-	-	78
Balance as at May 31, 2022	**78**	**1**	**46**	**125**

(1) During fiscal 2018 the Company offered a voluntary departure program to a group of eligible employees as part of a total business transformation initiative and in fiscal 2021 the Company made a number of changes to its organizational structure. A total of $1 has been paid in fiscal 2022 relating to these initiatives. The remaining costs are expected to be paid out within the next 8 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

9. LONG-TERM DEBT

	May 31, 2022				August 31, 2021		
	Effective interest rates	**Long-term debt at amortized cost[1]**	**Adjustment for finance costs [1]**	**Long-term debt repayable at maturity**	Long-term debt at amortized cost[1]	Adjustment for finance costs [1]	Long-term debt repayable at maturity
	%	**$**	**$**	**$**	**$**	**$**	**$**
Corporate							
Cdn fixed rate senior notes-							
3.80% due November 2, 2023	3.80	**499**	**1**	**500**	499	1	500
4.35% due January 31, 2024	4.35	**499**	**1**	**500**	499	1	500
3.80% due March 1, 2027	3.84	**299**	**1**	**300**	299	1	300
4.40% due November 2, 2028	4.40	**497**	**3**	**500**	497	3	500
3.30% due December 10, 2029	3.41	**496**	**4**	**500**	496	4	500
2.90% due December 9, 2030	2.92	**497**	**3**	**500**	496	4	500
6.75% due November 9, 2039	6.89	**1,422**	**28**	**1,450**	1,421	29	1,450
4.25% due December 9, 2049	4.33	**296**	**4**	**300**	296	4	300
		4,505	**45**	**4,550**	4,503	47	4,550
Other							
Burrard Landing Lot 2 Holdings Partnership	Various	**47**	**-**	**47**	47	-	47
Total consolidated debt		**4,552**	**45**	**4,597**	4,550	47	4,597
Less current portion[2]		**1**	**-**	**1**	1	-	1
		4,551	**45**	**4,596**	4,549	47	4,596

[1] Long-term debt is presented net of unamortized discounts and finance costs.
[2] Current portion of long-term debt includes amounts due within one year in respect of the Burrard Landing loans.

Interest Expense

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Interest expense – long-term debt	**58**	55	**168**	166
Amortization of senior notes discounts	**-**	-	**-**	1
Interest income – short-term (net)	**(1)**	(1)	**(2)**	(4)
Interest on lease liabilities (note 6)	**10**	12	**31**	34
Interest expense – other	**(1)**	(35)	**(1)**	(33)
	66	31	**196**	164

10. OTHER LONG-TERM LIABILITIES

	May 31, 2022	August 31, 2021
Pension liabilities[1]	**2**	21
Post retirement liabilities	**5**	5
	7	26

[1] The pension liabilities as at May 31, 2022 relate to the Company's Executive Retirement Plan. For details on the changes to the Company's Supplemental Executive Retirement Plan, please refer to note 5.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

11. SHARE CAPITAL

Changes in share capital during the nine months ended May 31, 2022 are as follows:

	Class A Shares		Class B Shares	
	Number	$	Number	$
August 31, 2021	22,372,064	2	476,537,262	4,197
Issued upon stock option plan exercises	-	-	454,285	13
Issued upon restricted share unit exercises	-	-	10,085	-
May 31, 2022	**22,372,064**	**2**	**477,001,632**	**4,210**

Normal Course Issuer Bid

On November 2, 2020, the Company announced that it had received approval from the TSX to establish a normal course issuer bid (NCIB) program. The program commenced on November 5, 2020 and ended November 4, 2021. As approved by the TSX, the Company had the ability to purchase for cancellation up to 24,532,404 Class B Shares representing approximately 5% of all of the issued and outstanding Class B Shares as at October 22, 2020. In connection with the announcement of the Rogers-Shaw Transaction on March 15, 2021 (as discussed in more detail in Note 1), the Company suspended share buybacks under its NCIB program.

12. EARNINGS PER SHARE

Earnings per share calculations are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Numerator for basic and diluted earnings per share ($)				
Net income	**203**	354	**595**	734
Deduct: dividends on Preferred Shares	**-**	(2)	**-**	(6)
Net income attributable to common shareholders	**203**	352	**595**	728
Denominator (millions of shares)				
Weighted average number of Class A Shares and Class B Shares for basic earnings per share	**499**	499	**499**	505
Effect of dilutive securities [(1)]	**2**	2	**2**	-
Weighted average number of Class A Shares and Class B Shares for diluted earnings per share	**501**	501	**501**	505
Earnings per share ($)				
Basic	**0.41**	0.71	**1.19**	1.44
Diluted	**0.41**	0.70	**1.19**	1.44

(1) The earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options since their impact is anti-dilutive. For the three and nine months ended May 31, 2022, nil (May 31, 2021 – nil) and nil (May 31, 2021 – 4,072,443) options were excluded from the diluted earnings per share calculation, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

13. REVENUE

Contract assets and liabilities

The table below provides a reconciliation of the significant changes to the current and long-term portion of contract assets and liabilities balances during the year.

	Contract Assets	Contract Liabilities
Balance as at August 31, 2021	125	228
Increase in contract assets from revenue recognized during the year	**84**	**-**
Contract assets transferred to trade receivables	**(104)**	**-**
Contract terminations transferred to trade receivables	**(16)**	**-**
Revenue recognized included in contract liabilities at the beginning of the year	**-**	**(219)**
Increase in contract liabilities during the year	**-**	**213**
Balance as at May 31, 2022	**89**	**222**

	Contract Assets	Contract Liabilities
Current	97	213
Long-term	28	15
Balance as at August 31, 2021	125	228
Current	**66**	**204**
Long-term	**23**	**18**
Balance as at May 31, 2022	**89**	**222**

Deferred commission cost assets

The table below provides a summary of the changes in the deferred commission cost assets recognized from the incremental costs incurred to obtain contracts with customers during the nine months ended May 31, 2022. We believe these amounts to be recoverable through the revenue earned from the related contracts. The deferred commission cost assets are presented within other current assets (when they will be amortized into net income within twelve months of the date of the financial statements) or other long-term assets.

August 31, 2021	92
Additions to deferred commission cost assets	**68**
Amortization recognized on deferred commission cost assets	**(61)**
Balance as at May 31, 2022	**99**

Current	59
Long-term	33
Balance as at August 31, 2021	92
Current	**61**
Long-term	**38**
Balance as at May 31, 2022	**99**

Commission costs are amortized over a period ranging from 24 to 36 months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Disaggregation of revenue

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Services				
Wireline - Consumer	**885**	935	**2,668**	2,755
Wireline - Business	**153**	145	**467**	435
Wireless	**245**	225	**722**	658
	1,283	1,305	**3,857**	3,848
Equipment and other				
Wireless	**66**	73	**244**	293
	66	73	**244**	293
Intersegment eliminations	**(3)**	(3)	**(10)**	(9)
Total revenue	**1,346**	1,375	**4,091**	4,132

Remaining performance obligations

The following table includes revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as at May 31, 2022.

	Within 1 year	**Within 2 years**	**Within 3 years**	**Within 4 years**	**Within 5 years**	**Thereafter**	**Total**
Wireline	1,770	772	155	84	22	3	2,806
Wireless	337	102	-	-	-	-	439
Total	**2,107**	**874**	**155**	**84**	**22**	**3**	**3,245**

When estimating minimum transaction prices allocated to the remaining unfilled, or partially unfulfilled, performance obligations, Shaw applied the practical expedient to not disclose information about remaining performance obligations that have original expected duration of one year or less and for those contracts where we bill the same value as that which is transferred to the customer. The estimated amounts disclosed are based upon contractual terms and maturities. Revenues recognized based on actual minimum transaction price, and the timing thereof, will differ from these estimates due to the frequency with which the actual durations of contracts with customers do not match their contractual maturities.

14. OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES AND RESTRUCTURING COSTS

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Employee salaries and benefits[(1)]	**168**	183	**502**	490
Purchase of goods and services	**534**	551	**1,679**	1,770
	702	734	**2,181**	2,260

[(1)] For the three and nine months ended May 31, 2022, employee salaries and benefits include $nil (2021 - $1) and $nil (2021 - $14) in restructuring costs, respectively.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

15. OTHER GAINS (LOSSES)

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Gain on disposal of fixed assets	**1**	1	**3**	3
Fair value adjustment for private investments	**–**	–	**–**	27
Transaction costs [1]	**(8)**	(18)	**(13)**	(18)
Other [2]	**4**	(4)	**(3)**	(8)
	(3)	(21)	**(13)**	4

(1) The Company has incurred a number of Rogers-Shaw Transaction-related advisory, legal, financial, and other professional fees in connection with the proposed acquisition of Shaw by Rogers. As these costs do not relate to ongoing operations, they have been classified as non-operating expenses. Please refer to Note 1 for further details on the Rogers-Shaw Transaction.

(2) Other gains (losses) generally includes realized and unrealized foreign exchange gains and losses on US dollar denominated current assets and liabilities and the Company's share of the operations of Burrard Landing Lot 2 Holdings Partnership.

16. OTHER COMPREHENSIVE INCOME AND ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2022 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**(1)**	**-**	**(1)**
Adjustment for hedged items recognized in the period	**-**	**-**	**-**
	(1)	**-**	**(1)**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**13**	**(3)**	**10**
	12	**(3)**	**9**

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2022 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	**1**	**-**	**1**
Adjustment for hedged items recognized in the period	**-**	**-**	**-**
	1	**-**	**1**
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	**55**	**(14)**	**41**
	56	**(14)**	**42**

Components of other comprehensive income and the related income tax effects for the three months ended May 31, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(6)	1	(5)
Adjustment for hedged items recognized in the period	2	-	2
	(4)	1	(3)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	5	(1)	4
	1	-	1

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

Components of other comprehensive income and the related income tax effects for the nine months ended May 31, 2021 are as follows:

	Amount	Income taxes	Net
Items that may subsequently be reclassified to income			
Change in unrealized fair value of derivatives designated as cash flow hedges	(8)	2	(6)
Adjustment for hedged items recognized in the period	4	(1)	3
	(4)	1	(3)
Items that will not be subsequently reclassified to income			
Remeasurements on employee benefit plans	36	(9)	27
	32	(8)	24

Accumulated other comprehensive loss is comprised of the following:

	May 31, 2022	August 31, 2021
Items that may subsequently be reclassified to income		
Change in unrealized fair value of derivatives designated as cash flow hedges	**-**	(1)
Items that will not be subsequently reclassified to income		
Remeasurements on employee benefit plans	**(17)**	(58)
	(17)	(59)

17. CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Funds flow from operations

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Net income from operations	**203**	354	**595**	734
Adjustments to reconcile net income to funds flow from operations:				
Amortization	**305**	301	**911**	911
Deferred income tax expense (recovery)	**(4)**	22	**(49)**	75
Share-based compensation	**-**	-	**1**	1
Defined benefit pension plans	**3**	3	**8**	6
Net change in contract asset balances	**11**	26	**36**	34
Fair value adjustments for private investments	**-**	-	**-**	(27)
Other	**-**	2	**3**	1
Funds flow from operations	**518**	708	**1,505**	1,735

(ii) Interest and income taxes paid and interest received and classified as operating activities are as follows:

	Three months ended May 31,		Nine months ended May 31,	
	2022	2021	**2022**	2021
Interest paid	**74**	76	**186**	186
Income taxes paid (net of refunds)	**41**	17	**138**	175
Interest received	**1**	1	**2**	4

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

18. FAIR VALUE

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments

The fair value of financial instruments has been determined as follows:

(i) Current assets and current liabilities

The fair value of financial instruments included in current assets and current liabilities approximates their carrying value due to their short-term nature.

(ii) Investments and other assets and other long-term assets

The fair value of publicly traded investments is determined by quoted market prices. Investments in private entities which do not have quoted market prices in an active market and whose fair value cannot be readily measured are carried at approximate fair value. No published market exists for such investments. These equity investments have been made as they are considered to have the potential to provide future benefit to the Company and accordingly, the Company has no current intention to dispose of these investments in the near term. The fair value of long-term receivables approximates their carrying value as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

(iii) Long-term debt

The carrying value of long-term debt is at amortized cost based on the initial fair value as determined at the time of issuance or at the time of a business acquisition. The fair value of publicly traded notes is based upon current trading values. The fair value of finance lease obligations is determined by discounting future cash flows using a rate for loans with similar terms, conditions and maturity dates. The carrying value of bank credit facilities approximates fair value as the debt bears interest at rates that fluctuate with market values. Other notes and debentures are valued based upon current trading values for similar instruments.

The carrying value and estimated fair value of long-term debt are as follows:

	May 31, 2022		August 31, 2021	
	Carrying value	**Estimated fair value**	Carrying value	Estimated fair value
Liabilities				
Long-term debt (including current portion)[1]	**4,552**	**4,487**	4,550	5,263

(1) Level 2 fair value – determined by valuation techniques using inputs based on observable market data, either directly or indirectly, other than quoted prices.

(iv) Derivative financial instruments

The fair value of US currency forward purchase contracts is determined by an estimated credit-adjusted mark-to-market valuation using observable forward exchange rates at the end of reporting periods and contract forward rates.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

May 31, 2022 and May 31, 2021
[all amounts in millions of Canadian dollars, except share and per share amounts]

19. INTANGIBLES AND GOODWILL

Impairment testing of indefinite-life intangibles and goodwill

The Company performs its annual impairment test on goodwill and indefinite-life intangibles as at February 1 each year. There have been no changes to the assets and liabilities making up the CGUs since the last test performed as at February 1, 2021. The prior test also resulted in a recoverable amount that exceeded the carrying amount by a substantial margin. The Company performed a qualitative assessment of the factors impacting the determination of recoverable amount and concluded that the likelihood that a recoverable amount calculation as at February 1, 2022, would be less than the carrying amount of the CGUs is remote. As such, the key assumptions used in the impairment test remain consistent with those disclosed for the February 1, 2021 test.

As a result of the announcement Rogers and Shaw are engaged in a process to sell Freedom Mobile conditioned on the closure of the Rogers-Shaw Transaction, management reviewed the estimated recoverable amount of its Wireless CGU and determined that there was no impairment as at May 31, 2022.

20. SUBSEQUENT EVENT

On June 17, 2022, Rogers and Shaw entered into a divestiture agreement for the sale of Freedom Mobile to Quebecor Inc. ("Quebecor") for a purchase price of $2.85 billion (the "Freedom Transaction"), which is subject to regulatory approvals from the Commissioner and the Minister of Innovation, Science and Industry (the "Minister"), and conditional on: (i) the completion of the Rogers-Shaw Transaction; and (ii) entering into definitive documentation on or before July 15, 2022, or such later date as Rogers and Quebecor reasonably agree to in writing. Given the circumstances surrounding the planned sale, management concluded that this bid is not indicative of impairment.

This is Exhibit 44 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Years ended December 31, 2014 and 2013

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pierre Dion
President and Chief Executive Officer

Jean-François Pruneau
Senior Vice President and Chief Financial Officer

Montréal, Canada

March 10, 2015

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2014, 2013 and January 1, 2013 and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2014 and 2013, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. and its subsidiaries as at December 31, 2014, 2013 and January 1, 2013, and their financial performance and their cash flows for the years ended December 31, 2014 and 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada

March 10, 2015

[1] CPA auditor, CA, public accountancy permit no. A107913

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars, except earnings per share data)

	Note	2014	2013 (restated, note 1(b))
Revenues	2	**$ 3,716.1**	$ 3,647.5
Employee costs	3	**680.2**	702.7
Purchase of goods and services	3	**1,637.0**	1,574.7
Depreciation and amortization		**667.0**	630.7
Financial expenses	4	**350.7**	388.3
Loss on valuation and translation of financial instruments	5	**94.7**	384.4
Restructuring of operations, impairment of assets and other special items	6	**54.4**	11.6
Impairment of goodwill and intangible assets	7	**81.0**	35.3
Loss on debt refinancing	9	**18.7**	18.9
Income (loss) before income taxes		**132.4**	(99.1)
Income taxes (recovery):			
Current	11	**117.1**	83.3
Deferred	11	**(25.8)**	(55.5)
		91.3	27.8
Income (loss) from continuing operations		**41.1**	(126.9)
Loss from discontinued operations	8	**(65.5)**	(193.8)
Net loss		**$ (24.4)**	$ (320.7)
Income (loss) from continuing operations attributable to			
Shareholders		**$ 19.2**	$ (142.5)
Non-controlling interests		**21.9**	15.6
Net (loss) income attributable to			
Shareholders		**$ (30.1)**	$ (288.6)
Non-controlling interests		**5.7**	(32.1)
Earnings per share attributable to shareholders	12		
Basic and diluted:			
From continuing operations		**$ 0.16**	(1.15)
From discontinued operations		**(0.40)**	(1.18)
Net loss		**(0.24)**	(2.33)
Weighted average number of shares outstanding (in millions)		**123.0**	124.0
Weighted average number of diluted shares (in millions)		**123.0**	124.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Note	2014	2013
			(restated, note 1(b))
Income (loss) from continuing operations		**$ 41.1**	$ (126.9)
Other comprehensive (loss) income from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
Gain (loss) on valuation of derivative financial instruments		**14.2**	(45.1)
Deferred income taxes		**(21.3)**	(1.2)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement (loss) gain	31	**(46.0)**	109.5
Deferred income taxes		**12.3**	(29.5)
Reclassification to income:			
Gain related to cash flows hedges	9	**(10.8)**	(14.5)
Deferred income taxes		**0.4**	1.1
		(51.2)	20.3
Comprehensive loss from continuing operations		**(10.1)**	(106.6)
Loss from discontinued operations	8	**(65.5)**	(193.8)
Other comprehensive (loss) income from discontinued operations	8	**(7.6)**	28.3
Comprehensive loss		**$ (83.2)**	$ (272.1)
Comprehensive (loss) income from continuing operations attributable to			
Shareholders		**$ (16.3)**	$ (136.8)
Non-controlling interests		**6.2**	30.2
Comprehensive loss attributable to			
Shareholders		**$ (71.4)**	$ (261.4)
Non-controlling interests		**(11.8)**	(10.7)

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Equity attributable to shareholders						
	Capital stock (note 23)	Contributed surplus	Equity component of convertible debentures (note 25)	Retained earnings	Accumulated other comprehensive loss (note 26)	Equity attributable to non-controlling interests	Total equity
Balance as of December 31, 2012, as reported previously	$ 335.1	$ 2.3	$ 398.3	$ 624.6	$ (50.3)	$ 631.3	$ 1,941.3
Changes in accounting policies (note 1(b))	–	–	(398.3)	(2.0)	–	–	(400.3)
Balance as of December 31, 2012, as restated	335.1	2.3	–	622.6	(50.3)	631.3	1,541.0
Net loss	–	–	–	(288.6)	–	(32.1)	(320.7)
Other comprehensive income	–	–	–	–	27.2	21.4	48.6
Repurchase of Class B Shares (note 23)	(6.2)	–	–	(30.2)	–	–	(36.4)
Dividends	–	–	–	(12.4)	–	(25.0)	(37.4)
Business acquisition	–	–	–	–	–	0.3	0.3
Balance as of December 31, 2013	328.9	2.3	–	291.4	(23.1)	595.9	1,195.4
Net (loss) income	–	–	–	(30.1)	–	5.7	(24.4)
Other comprehensive loss	–	–	–	–	(41.3)	(17.5)	(58.8)
Repurchase of Class B Shares (note 23)	(1.7)	–	–	(10.0)	–	–	(11.7)
Acquisition of non-controlling interests	–	–	–	(0.1)	–	–	(0.1)
Dividends	–	–	–	(12.3)	–	(24.8)	(37.1)
Balance as of December 31, 2014	**$ 327.2**	**$ 2.3**	**$ –**	**$ 238.9**	**$ (64.4)**	**$ 559.3**	**$ 1,063.3**

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Note	2014	2013
			(restated, note 1(b))
Cash flows related to operating activities			
Income (loss) from continuing operations		**$ 41.1**	$ (126.9)
Adjustments for:			
Depreciation of property, plant and equipment	15	**541.6**	504.6
Amortization of intangible assets	16	**125.4**	126.1
Loss on valuation and translation of financial instruments	5	**94.7**	384.4
Loss on disposal of assets	6	**0.1**	0.8
Impairment of assets	6	**6.7**	2.1
Impairment of goodwill and intangible assets	7	**81.0**	35.3
Loss on debt refinancing	9	**18.7**	18.9
Amortization of financing costs and long-term debt discount	4	**8.7**	12.0
Deferred income taxes	11	**(25.8)**	(55.5)
Other		**(0.8)**	(0.8)
		891.4	901.0
Net change in non-cash balances related to operating activities		**68.2**	(9.3)
Cash flows provided by continuing operating activities		**959.6**	891.7
Cash flows related to investing activities			
Business acquisitions	10	**(132.3)**	(7.7)
Business disposals	8	**193.5**	59.2
Additions to property, plant and equipment	15	**(645.7)**	(562.4)
Additions to intangible assets	16	**(317.3)**	(77.8)
Proceeds from disposals of assets		**5.4**	13.2
Other		**0.5**	1.7
Cash flows used in continuing investing activities		**(895.9)**	(573.8)
Cash flows related to financing activities			
Net change in bank indebtedness		**4.7**	(0.8)
Net change under revolving facilities		**(22.9)**	–
Issuance of long-term debt, net of financing fees	21	**728.3**	752.6
Repayments of long-term debt	9	**(815.6)**	(723.6)
Settlement of hedging contracts	9	**(65.4)**	(29.7)
Repurchase of Class B Shares	23	**(11.7)**	(36.4)
Dividends		**(12.3)**	(12.4)
Dividends paid to non-controlling interests		**(24.8)**	(25.0)
Cash flows used in continuing financing activities		**(219.7)**	(75.3)
Net change in cash and cash equivalents from continuing operations		**$ (156.0)**	$ 242.6

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Note	2014	2013 (restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		**$ (156.0)**	$ 242.6
Cash flows provided by discontinued operations	8	**74.7**	5.3
Cash and cash equivalents at beginning of year		**476.6**	228.7
Cash and cash equivalents at end of year		**$ 395.3**	$ 476.6
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash		**$ 155.9**	$ 207.3
Cash equivalents		**239.4**	269.3
		$ 395.3	$ 476.6
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)			
Accounts receivable		**$ 7.7**	$ (2.0)
Inventories		**12.4**	10.3
Accounts payable, accrued charges and provisions		**32.9**	(59.1)
Income taxes		**9.4**	48.7
Stock-based compensation		**(6.8)**	9.6
Deferred revenues		**8.8**	(3.4)
Defined benefit plans		**(20.0)**	(20.9)
Other		**23.8**	7.5
		$ 68.2	$ (9.3)
Non-cash investing activities			
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$ 2.4**	$ 2.2
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 336.8**	$ 362.0
Cash income tax payments (net of refunds)		**124.9**	49.4

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013 and January 1, 2013
(in millions of Canadian dollars)

	Note	**December 31, 2014**	December 31, 2013	January 1, 2013
			(restated, note 1(b))	(restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		**$ 395.3**	$ 476.6	$ 228.7
Accounts receivable	13	**449.4**	566.3	578.7
Income taxes		**6.7**	18.0	10.6
Inventories	14	**212.2**	239.4	255.5
Prepaid expenses		**38.0**	48.2	38.0
Assets held for sale	8	**398.1**	76.9	–
		1,499.7	1,425.4	1,111.5
Non-current assets				
Property, plant and equipment	15	**3,430.4**	3,432.4	3,405.8
Intangible assets	16	**945.8**	824.8	956.7
Goodwill	17	**2,714.6**	3,061.5	3,371.6
Derivative financial instruments	29	**400.9**	142.1	35.7
Deferred income taxes	11	**7.8**	28.1	23.9
Other assets	18	**79.3**	102.1	102.6
		7,578.8	7,591.0	7,896.3
Total assets		**$ 9,078.5**	$ 9,016.4	$ 9,007.8

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2014 and 2013 and January 1, 2013
(in millions of Canadian dollars)

	Note	**December 31, 2014**	December 31, 2013	January 1, 2013
			(restated, note 1(b))	(restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 5.2**	$ 0.5	$ 1.3
Accounts payable and accrued charges	19	**650.2**	706.1	793.8
Provisions	20	**56.7**	39.4	45.9
Deferred revenue		**283.0**	288.8	289.0
Income taxes		**85.5**	89.2	33.9
Derivative financial instruments	29	**0.9**	116.2	28.5
Current portion of long-term debt	21	**230.1**	101.2	22.2
Liabilities held for sale	8	**97.9**	9.0	–
		1,409.5	1,350.4	1,214.6
Non-current liabilities				
Long-term debt	21	**5,048.2**	4,975.3	4,507.8
Derivative financial instruments	29	**101.9**	77.3	270.1
Convertible debentures	25	**500.0**	500.0	500.0
Other liabilities	22	**426.8**	319.4	350.0
Deferred income taxes	11	**528.8**	598.6	624.3
		6,605.7	6,470.6	6,252.2
Equity				
Capital stock	23	**327.2**	328.9	335.1
Contributed surplus		**2.3**	2.3	2.3
Retained earnings		**238.9**	291.4	622.6
Accumulated other comprehensive loss	26	**(64.4)**	(23.1)	(50.3)
Equity attributable to shareholders		**504.0**	599.5	909.7
Non-controlling interests		**559.3**	595.9	631.3
		1,063.3	1,195.4	1,541.0
Commitments and contingencies	20, 27			
Guarantees	28			
Subsequent events	32			
Total liabilities and equity		**$ 9,078.5**	$ 9,016.4	$ 9,007.8

See accompanying notes to consolidated financial statements.

On March 10, 2015, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2014 and 2013.

On behalf of the Board of Directors,

The Right Honourable Brian Mulroney, P.C., C.C., LL.D., Chairman of the Board

Jean La Couture, Director

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. ("Quebecor Media") and in subsidiaries controlled by Quebecor Media. The percentages of voting rights and of equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	75.4 %	75.4 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	51.5 %
Sun Media Corporation	100.0 %	100.0 %
Quebecor Media Printing Inc.	100.0 %	100.0 %
Archambault Group Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet, business solutions, cable and mobile telephony services in Canada and is engaged in the rental of movies, televisual products and console games through its video-on-demand service and rentals stores. This segment also operates retail stores specialized in the sale of cultural and entertainment products, and offers online sales of downloadable music and books in Québec. The operations of the Media segment in Québec include the printing, publishing and distribution of daily newspapers, the printing of commercial inserts, the operation of an over-the-air television network, the operation of television specialty services, the operation of studio, soundstage and equipment leasing and post-production services for the film and television industries, the operation of Internet portals and specialized sites, the publishing of books and magazines, the distribution of books, magazines and movies and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass show production, sporting and cultural events management, music production, distribution and streaming, the operation of two Quebec Major Junior Hockey League ("QMJHL") teams, and the operation and management of the future Québec City amphitheatre.

In 2014, the Corporation changed its organisational structure and its operations are now managed through the following three segments: Telecommunications, Media, and Sports and Entertainment. The reorganization consisted in (a) the creation of the new Media segment, which includes all activities of the previous News Media and Broadcasting segments, as well as the book publishing and distribution activities previously included in the Leisure and Entertainment segment, (b) the creation of the new Sports and Entertainment segment, which includes all operating, production, distribution and management activities of the previous Leisure and Entertainment segment relating to music, entertainment, sports and the future Québec City amphitheatre, and (c) the transfer of the retail businesses from the previous Leisure and Entertainment segment to the Telecommunications segment. Accordingly, prior period figures in the Corporation's segmented information have been reclassified to reflect these changes.

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

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION (continued)

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Telecommu-nications	Media	Sports and Entertainment	Head office and Inter-segments	Total
					2014
Revenues	**$ 2,965.0**	**$ 807.7**	**$ 60.9**	**$ (117.5)**	**$ 3,716.1**
Employee costs	**367.1**	**263.5**	**9.1**	**40.5**	**680.2**
Purchase of goods and services	**1,243.0**	**497.7**	**55.2**	**(158.9)**	**1,637.0**
Adjusted operating income[1]	**1,354.9**	**46.5**	**(3.4)**	**0.9**	**1,398.9**
Depreciation and amortization					**667.0**
Financial expenses					**350.7**
Loss on valuation and translation of financial instruments					**94.7**
Restructuring of operations, impairment of assets and other special items					**54.4**
Impairment of goodwill and intangible assets					**81.0**
Loss on debt refinancing					**18.7**
Income before income taxes					**$ 132.4**
Additions to property, plant and equipment	**$ 607.5**	**$ 32.2**	**$ 5.5**	**$ 0.5**	**$ 645.7**
Additions to intangible assets	**304.7**	**9.3**	**0.1**	**3.2**	**317.3**

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

Years ended December 31, 2014 and 2013
(in millions of Canadian dollars)

	Telecommu-nications	Media	Sports and Entertainment	Head office and Inter-segments	Total
					2013
					(restated, note 1 (b))
Revenues	$ 2,860.5	$ 828.3	$ 70.2	$ (111.5)	$ 3,647.5
Employee costs	372.8	269.6	8.4	51.9	702.7
Purchase of goods and services	1,193.5	474.7	62.9	(156.4)	1,574.7
Adjusted operating income[1]	1,294.2	84.0	(1.1)	(7.0)	1,370.1
Depreciation and amortization					630.7
Financial expenses					388.3
Loss on valuation and translation of financial instruments					384.4
Restructuring of operations, impairment of assets and other special items					11.6
Impairment of goodwill and intangible assets					35.3
Loss on debt refinancing					18.9
Loss before income taxes					$ (99.1)
Additions to property, plant and equipment	$ 532.9	$ 26.2	$ 0.6	$ 2.7	$ 562.4
Additions to intangible assets	67.9	8.8	–	1.1	77.8

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred as a non-International Financial Reporting Standards (“IFRS”) measure and is defined as net loss before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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

Comparative figures for the year ended December 31, 2013 have been restated to conform to the presentation adopted for the year ended December 31, 2014.

(b) Changes in accounting policies

On January 1, 2014, the Corporation adopted retrospectively IFRIC 21 – *Levies*, which clarifies the timing of accounting for a liability in relation with outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

In May 2014, the IFRS Interpretations Committee ("the Committee") published a summary of its meeting discussion on the accounting for a financial instrument that is convertible into a variable number of shares subject to a cap or a floor. The Committee noted that different accounting treatments had been used by issuers in the past for this type of instrument. Although interpretation analysis of alternative treatments were expressed and provided by some market participants to the Committee, the Committee decided not to add this issue to its agenda and noted that this instrument should be accounted for as a liability in its entirety. As such, the Corporation retrospectively changed its accounting policy for the accounting of its convertible debentures to be in line with the Committee discussions. Accordingly, the Corporation's convertible debentures are now accounted for as a financial liability and the cap and floor conversion prices features are now accounted for separately as embedded derivatives at fair value, with changes in fair value being recorded in income. The following tables summarize the impact of this change of accounting policy on previously reported financial information.

Consolidated statement of income and comprehensive income

	2013
Financial expenses	$ 13.6
Loss on valuation and translation of financial instruments	145.5
Deferred income taxes	(4.4)
Net loss and comprehensive loss attributable to shareholders	$ (154.7)
Earnings per share attributable to shareholders:	
Basic	$ (1.25)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

Consolidated balance sheets

Increase (decrease)	2013	2012
Accounts payable and accrued charges	$ (11.6)	$ (10.7)
Convertible debentures	500.0	500.0
Other liabilities[1]	40.7	(119.2)
Deferred income tax liability	25.9	30.2
Equity component of convertible debentures	(398.3)	(398.3)
Retained earnings	(156.7)	(2.0)

[1] Embedded derivatives related to the convertible debentures are presented with other liabilities.

(c) Consolidation

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

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

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

(d) Business combinations

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

Non-controlling interests in an entity acquired are presented in the consolidated balance sheet within equity, separately from the equity attributable to shareholders and are initially measured at fair value.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

Financial statements of the foreign operations disposed in 2014 (note 8) were translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses. Adjustments arising from foreign currency translation since January 1, 2010 were recorded in other comprehensive income.

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

(f) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under “Deferred revenue” when customers are invoiced.

Revenue recognition policies for each of the Corporation’s main activities are as follows:

<u>Telecommunications</u>

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

Revenues from the retail activities are recognized at the time of delivery, net of provisions for estimated returns based on historical rate of returns.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Media

Advertising revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Advertising revenues derived from the newspapers and magazines publishing activities are recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered.

Revenues from the sale or distribution of newspapers, magazines and books, are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from subscription to online publications are recognized over the period of the subscription.

Sports and Entertainment

Revenues derived from entertainment products distribution are recognized on delivery of the products, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from show production and sporting and cultural event management are recognized once the event or production occurs or when services are rendered.

(g) Impairment of assets

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

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Barter transactions

In the normal course of operations, the Media segment principally offer advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of the goods and services provided.

For the year ended December 31, 2014, the Corporation recorded $14.5 million of barter advertising revenues ($15.2 million in 2013).

(i) Income taxes

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

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

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

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	Loans and receivables	Available-for-sale	Other liabilities
• Cash and cash equivalents • Bank indebtedness • Exchangeable debentures	• Accounts receivable • Loans and other long-term receivables included in “Other assets”	• Other portfolio investments included in “Other assets”	• Accounts payable and accrued charges • Provisions • Long-term debt • Convertible debentures • Other long-term financial liabilities included in “Other liabilities”

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as other liabilities are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in other liabilities, are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in income as other special items.

Derivative financial instruments and hedge accounting

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

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

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

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

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

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financing fees

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

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(n) Cash and cash equivalents

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

(o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(p) Inventories

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

In particular, inventories related to broadcasting activities, which primarily are comprised of programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. The Corporation records the broadcast rights acquired as inventory and the obligations incurred under a license agreement as a liability when the broadcast period begins and all of the following conditions have been met: (a) the cost of each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the broadcast license agreement; (c) the programs, movies or series are available for first showing or telecast or the live event is broadcasted.

Amounts paid for broadcast rights before all of the above conditions are met are recorded as prepaid broadcast rights.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

(ii) Broadcast rights (continued)

Broadcast rights are classified as current or long-term, based on management's estimate of the broadcast period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on the manner future economic benefits from these rights will be generated. Broadcast rights payable are classified as current or long-term liabilities based on the payment terms included in the license.

(iii) Distribution rights

Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records an inventory and a liability for the distribution rights and obligations incurred under a license agreement when (a) the cost of the license is known or can be reasonably estimated, (b) the televisual product and movie has been accepted in accordance with the conditions of the license agreement, and (c) the televisual product or movie is available for distribution.

Amounts paid for distribution rights before all of the above conditions are met are recorded as prepaid distribution rights. Distribution rights are charged to operating expenses using the individual film forecast computation method based on actual revenues realized over total future economic benefits expected.

Estimates of future revenues used to determine net realizable values of inventories related to the broadcasting or distribution of television products and movies, are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to net realizable value, as necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

(r) Property, plant and equipment

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

Borrowing costs are also included in the cost of property, plant and equipment when the development of the asset commenced after January 1, 2010. Expenditures, such as maintenance and repairs, are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment (continued)

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

Assets	Estimated useful life
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

Leasehold improvements are depreciated over the shorter of the term of the lease and economic life.

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for these assets. A decommissioning obligation is however recorded for the rental of sites related to the advanced mobile network.

Videotron Ltd. (“Videotron”) is engaged in an agreement to operate a shared Long Term Evolution mobile network in the Province of Québec and in the Ottawa region.

(s) Goodwill and intangible assets

<u>Goodwill</u>

For all business acquisitions entered into since January 1, 2010, goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

For business acquisitions that occurred prior to January 1, 2010, goodwill represented the excess of the cost of acquisition over the Corporation’s interest in the fair value of the identifiable assets and liabilities of the business acquired at the date of acquisition. No goodwill attributable to non-controlling interests was recognized for these business acquisitions.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

Broadcasting licenses and mastheads have indefinite useful lives and are not amortized. In particular, given the low cost of renewal of broadcasting licenses, management believes it is economically compelling to renew the licenses and to comply with all rules and conditions attached to those licenses.

Internally generated intangible assets are mainly comprised of internal costs in connection with the development of software to be used internally or for providing services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset that commenced after January 1, 2010 are also included as part of the cost of that asset during the development phase.

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

Assets	Estimated useful life
Spectrum licenses	10 years
Software	3 to 7 years
Customer relationships and other	3 to 10 years

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

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

(u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 24.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Convertible debentures

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

(x) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs to sell or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statement of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 17.

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instrument must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statement of income, the gain or loss on valuation of financial instruments recorded in the consolidated statement of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheet. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 29.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to third parties at the date of assessment. An assessment of the probable outcomes of legal proceedings or other contingency is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 20.

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

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

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

(ii) Determination of CGUs for the purpose of impairment test

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting networks infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statement of income.

(iii) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statement of income.

(iv) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2014	2013
Services rendered	**$ 3,252.1**	$ 3,168.8
Product sales	**464.0**	478.7
	$ 3,716.1	$ 3,647.5

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

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2014	2013
Employee costs	**$ 836.9**	$ 848.1
Less: Employee costs capitalized to property, plant and equipment and intangible assets	**(156.7)**	(145.4)
	680.2	702.7
Purchase of goods and services:		
Royalties, rights and creation costs	**666.5**	649.1
Cost of retail products	**323.9**	289.5
Marketing, circulation and distribution expenses	**82.2**	82.5
Service and printing contracts	**151.4**	163.1
Paper, ink and printing supplies	**46.9**	49.1
Other	**366.1**	341.4
	1,637.0	1,574.7
	$ 2,317.2	$ 2,277.4

4. FINANCIAL EXPENSES

	2014	2013 (restated, note 1(b))
Interest on long-term debt and on debentures	**$ 338.9**	$ 366.6
Amortization of financing costs and long-term debt discount	**8.7**	12.0
Interest on net defined benefit liability	**5.1**	11.4
Loss on foreign currency translation on short-term monetary items	**4.0**	2.7
Other	**(6.0)**	(4.4)
	$ 350.7	$ 388.3

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2014	2013 (restated, note 1(b))
Loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	**$ 7.9**	$ 173.2
Loss on embedded derivatives related to convertible debentures	**91.6**	140.0
(Gain) loss on reversal of embedded derivatives upon debt redemption	**(1.1)**	72.9
Gain on the ineffective portion of cash flow hedges	**(0.5)**	(1.7)
Gain on the ineffective portion of fair value hedges	**(3.2)**	–
	$ 94.7	$ 384.4

6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS

	2014	2013
Restructuring of operations	**$ 10.5**	$ 8.7
Loss related to a legal litigation	**34.3**	–
Impairment of assets	**6.7**	2.1
Loss on disposal of assets	**0.1**	0.8
Other	**2.8**	–
	$ 54.4	$ 11.6

Telecommunications

In 2014, the Telecommunications segment recorded a charge for restructuring costs of $3.3 million ($1.8 million in 2013) and a charge for impairment of assets of $3.4 million (none in 2013).

Also in 2014, the Telecommunications segment recorded a charge of $34.3 million, including interest, as a result of an unfavorable judgment against Videotron in a legal action. Videotron intends to appeal this judgment.

Media

In recent years, the Media segment has implemented various restructuring initiatives to reduce operating costs. As a result of these initiatives, restructuring costs of $6.5 million, mainly for the reduction of positions, were recorded in 2014 ($6.7 million in 2013). As part of these restructuring initiatives, a loss on disposal of assets of $0.1 million was recorded in 2014 (a gain of $0.1 million in 2013), while a charge for impairment of assets of $2.1 million was recorded in 2013.

In 2014, the Media segment also recorded a charge for impairment of assets of $3.3 million related to broadcasting assets and other special charges of $2.6 million mainly related to business acquisitions (none in 2013).

6. RESTRUCTURING OF OPERATIONS, IMPAIRMENT OF ASSETS AND OTHER SPECIAL ITEMS (continued)

Other segments

In 2014, other segments recorded a charge for restructuring costs of $0.7 million ($0.2 million in 2013) and other special charges of $0.2 million (none in 2013). A loss on disposal of assets of $0.9 million was recorded in 2013.

7. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

2014

During the second quarter of 2014, the Corporation performed its annual impairment tests on its CGUs. The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of its Newspapers CGU, which revenues continued to be negatively affected by the digital transformation and weak market conditions in the newspaper industry. Accordingly, the Media segment recorded a non-cash goodwill impairment charge of $190.0 million (without any tax consequence), of which $160.0 million is presented as part of discontinued operations.

During the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. Market conditions in the television industry led the Corporation to perform an impairment test on its Broadcasting CGU. The Corporation concluded that the recoverable amount based on fair value less costs of disposal was less than the carrying amount of the CGU. Accordingly, a non-cash impairment charge of $41.7 million on broadcasting licenses (including $20.9 million without any tax consequence) and a non-cash goodwill impairment charge of $9.3 million (including $3.9 million without any tax consequence) were recorded in the Media segment.

2013

During the third quarter of 2013, the Corporation performed impairment tests on its Newspapers, Music and Book CGUs due to weak market conditions in their respective industries. Accordingly, the Media segment recorded a non-cash goodwill impairment charges of $229.0 million for its Newspaper CGU (without any tax consequence), of which $214.5 million is presented as part of discontinued operations. A non-cash impairment charge of $56.0 million on mastheads and customer relationships assets was also recorded as part of discontinued operations. A non-cash goodwill impairment charge of $11.9 million for the Book CGU (without any tax consequence) and of $8.9 million for the Music CGU (without any tax consequence) was also recorded by the Corporation.

8. DISCONTINUED OPERATIONS

2014

- In January 2014, the Corporation ceased its door-to-door distribution of flyers and weekly newspapers in the Province of Québec.
- On June 1, 2014, the Corporation sold its 74 Québec weeklies for a cash consideration of $75.0 million, of which $1.3 million is receivable as of December 31, 2014. An amount of $4.7 million was also received in 2014 relating to adjustments of working capital items transferred.
- On September 2, 2014, the Corporation sold its Nurun Inc. ("Nurun") subsidiary for a cash consideration consisting of $125.0 million, less cash disposed of $18.1 million. An amount of $8.2 million was also received relating to certain transaction adjustments.
- On October 6, 2014, the Corporation announced a transaction whereby it will sell all of its English-language newspaper operations in Canada, consisting of 175 newspapers and publications, the Canoe English portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration of $316.0 million. The transaction price will be payable in cash, subject to the customary adjustments and a $10.0 million adjustment, related primarily to real estate properties disposed by the Corporation subsequent to this transaction. The transaction is subject to authorization by the Competition Bureau. While the transaction is under review, Quebecor Media continues to operate all the businesses involved in the transaction.

2013

- On June 1, 2013, the Corporation sold its specialized Web site *Jobboom* for a cash consideration of $57.5 million, less cash disposed of $5.4 million.
- On November 29, 2013, the Corporation also sold its specialized Web site *Réseau Contact* for a cash consideration of $7.5 million, less cash disposed of $0.4 million.

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

8. DISCONTINUED OPERATIONS (continued)

The results of operations and cash flows related to these businesses were reclassified as discontinued operations in the consolidated statements of income, comprehensive income and cash flows as follows:

Consolidated statements of income and comprehensive income

	2014	2013
Revenues	**$ 586.1**	$ 765.5
Employee costs	**231.8**	313.8
Purchase of goods and services	**259.7**	357.1
Depreciation and amortization	**25.1**	36.8
Financial expenses	**0.8**	2.0
Restructuring of operations, impairment of assets and other special items	**8.5**	20.0
Impairment of goodwill and intangible assets	**160.0**	270.5
Loss before income taxes	**(99.8)**	(234.7)
Current income taxes	**14.2**	13.2
Deferred income taxes	**1.0**	(16.5)
Gain on disposal of businesses	**49.5**	37.6
Loss from discontinued operations	**(65.5)**	(193.8)
Other comprehensive (loss) income:		
(Loss) gain on translation of net investments in foreign operations	**(1.7)**	4.4
Defined benefits plans:		
Re-measurement (loss) gain	**(7.9)**	31.9
Deferred income taxes	**2.0**	(8.0)
	(7.6)	28.3
Comprehensive loss from discontinued operations	**$ (73.1)**	$ (165.5)

Consolidated statements of cash flows

	2014	2013
Cash flows related to operating activities	**$ 72.3**	$ 19.0
Cash flows related to investing activities	**2.4**	(13.7)
Cash flows provided by discontinued operations	**$ 74.7**	$ 5.3

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

8. DISCONTINUED OPERATIONS (continued)

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

	2014	2013
Current assets	**$ 70.6**	$ 9.0
Property, plant and equipment	**171.4**	1.7
Intangible assets	**26.1**	17.6
Goodwill	**130.0**	48.6
Assets held for sale	**398.1**	76.9
Current liabilities	**(61.0)**	(9.0)
Long-term liabilities	**(36.9)**	–
Liabilities held for sale	**(97.9)**	(9.0)
Net assets held for sale	**$ 300.2**	$ 67.9

9. LOSS ON DEBT REFINANCING

<u>**2014**</u>

- In April 2014, Quebecor Media redeemed all of its issued and outstanding 7.75% Senior Notes due March 2016 in aggregate principal amount of US$380.0 million and settled its related hedging contracts for a total cash consideration of $367.8 million.
- In April 2014, Videotron redeemed US$260.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 for a total cash consideration of $295.4 million.

These transactions resulted in a total loss of $18.7 million in 2014, including a gain of $10.8 million previously reported in other comprehensive income.

<u>**2013**</u>

- In July 2013, Videotron redeemed US$380.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 and settled its related hedging contracts for a total cash consideration of $399.6 million.
- In August 2013, Quebecor Media redeemed US$265.0 million in aggregate principal amount of its issued and outstanding 7.75% Senior Notes due March 2016 and settled its related hedging contracts for a total cash consideration of $306.1 million.

These transactions resulted in a total loss of $18.9 million in 2013, including a gain of $14.5 million previously reported in other comprehensive income.

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

10. BUSINESS ACQUISITIONS

2014

- In December 2014, the Media segment acquired, through TVA Group Inc. ("TVA Group"), substantially all of the assets (including certain operational liabilities assumed) of Global Vision A.R. Ltd. and its subsidiary ("Global Vision") for a purchase price of $116.1 million in cash. The purchase price is subject to a post-closing adjustment on working capital items. Global Vision operates in the film and television industry by offering soundstage and equipment leasing and post-production services. The assets acquired include Mel's La Cité du Cinéma in Montréal and Studio Melrose in Saint-Hubert, which facilities are used for both local and foreign film and television production, including American blockbusters. The purpose of this acquisition was to invest in sectors that are a good fit with the Media segment activities, with the effect of diversifying the segment revenues. Goodwill related to this acquisition arised principally from the reputation of assembled workforce, future growth and expected synergies.
- In 2014, the Corporation also acquired other businesses such as les Remparts de Québec, a hockey team from the QMJHL.

The preliminary purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2014 is summarized as follows:

		2014
Assets acquired		
Non-cash current assets	$	9.6
Property, plant and equipment		96.4
Intangible assets		17.1
Goodwill		18.0
		141.1
Liabilities assumed		
Non-cash current liabilities		(7.0)
Other long-term liabilities		(1.3)
		(8.3)
Net assets acquired at fair value	$	132.8
Consideration		
Cash	$	132.3
Balance payable		0.5
	$	132.8

The pro forma revenues and net income in 2014 would not have been significantly different than actual figures, if all business acquisitions had occurred at the beginning of the year.

The amount of goodwill that is deductible for tax purposes is $18.0 million in 2014 (none in 2013).

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

10. BUSINESS ACQUISITIONS (continued)

2013

- In May 2013, the Sports and Entertainment segment acquired a Québec City sporting and cultural event management company.
- In July 2013, the Media segment acquired, through TVA Group, a magazine publisher and a book publisher in the Province of Québec.

11. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2014 (26.9% in 2013), and income taxes in the consolidated statements of income:

		2014		2013 (restated, note 1(b))
Income taxes at domestic statutory tax rate	**$**	**35.6**	$	(26.6)
(Reduction) increase resulting from:				
Effect of provincial tax rate differences		**(0.8)**		(0.2)
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates		**42.4**		38.5
Change in benefit arising from the recognition of current and prior year tax losses		**2.2**		5.5
Non-deductible impairment of goodwill		**9.0**		9.5
Other		**2.9**		1.1
Income taxes	**$**	**91.3**	$	27.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. INCOME TAXES (continued)

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

	Consolidated balance sheets		Consolidated income statements	
	2014	2013	**2014**	2013
		(restated, note 1(b))		(restated, note 1(b))
Loss carryforwards	**$ 102.7**	$ 110.5	**$ 1.0**	$ 9.6
Accounts payable, accrued charges, provisions and deferred revenue	**7.3**	11.4	**4.1**	(0.5)
Defined benefit plans	**36.6**	27.2	**4.9**	1.8
Property, plant and equipment	**(444.8)**	(440.6)	**(59.5)**	14.9
Goodwill, intangible assets and other assets	**(75.6)**	(93.4)	**50.9**	(18.9)
Long-term debt, derivative financial instruments and convertible debentures	**(122.0)**	(95.5)	**5.6**	(65.0)
Benefits from a general partnership	**(56.5)**	(87.4)	**(30.9)**	(14.0)
Other	**(2.8)**	(2.7)	**–**	0.1
	$ (555.1)	$ (570.5)	**$ (23.9)**	$ (72.0)

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

	Note	**2014**	2013
			(restated, note 1(b))
Balance as of beginning of the year		**$ (570.5)**	$ (600.4)
Recognized in income as continuing operations		**25.8**	55.5
Recognized in income as discontinued operations	8	**(1.0)**	16.5
Recognized in other comprehensive income as continuing operations		**(8.6)**	(29.6)
Recognized in other comprehensive income as discontinued operations	8	**2.0**	(8.0)
Business acquisitions and disposals		**(2.4)**	(4.2)
Other		**(0.4)**	(0.3)
Balance as of the end of the year		**$ (555.1)**	$ (570.5)
Deferred income tax asset		**$ 7.8**	$ 28.1
Deferred income tax liability		**(528.8)**	(598.6)
Deferred income tax liability included in liabilities held for sale		**(34.1)**	–
		$ (555.1)	$ (570.5)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. INCOME TAXES (continued)

As of December 31, 2014, the Corporation had loss carryforwards for income tax purposes of $35.0 million available to reduce future taxable income, including $22.3 million that will expire between 2031 and 2034, and $12.7 million that can be carried forward indefinitely. Of these losses, an amount of $15.0 million has not been recognized. The Corporation also had capital losses of $1,053.9 million that can be carried forward indefinitely and applied only against future capital gains, of which $211.1 million were not recognized.

There are no income tax consequences attached to the payment of dividends in 2014 or 2013 by the Corporation to its shareholders.

12. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2014	2013 (restated, note 1(b))
Income (loss) from continuing operations attributable to shareholders	**$ 19.2**	$ (142.5)
Impact of assumed conversion of stock options of subsidiaries	**(0.3)**	–
Income (loss) income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 18.9**	$ (142.5)
Net loss attributable to shareholders	**$ (30.1)**	$ (288.6)
Impact of assumed conversion of stock options of subsidiaries	**(0.3)**	–
Net loss attributable to shareholders, adjusted for dilution effect	**$ (30.4)**	$ (288.6)
Weighted average number of diluted shares outstanding (in millions)	**123.0**	124.0

For the year ended December 31, 2014 and 2013, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive. During the year ended December 31, 2014, 90,000 options of the Corporation’s plan, no options of the Quebecor Media’s plan, and 525,368 options of TVA Group’s plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (none in 2013, respectively).

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

13. ACCOUNTS RECEIVABLE

	Note	2014	2013
Trade	29(c)	**$ 397.8**	$ 492.5
Other		**51.6**	73.8
		$ 449.4	$ 566.3

14. INVENTORIES

	2014	2013
Raw materials and supplies	**$ 21.0**	$ 26.7
Finished goods	**115.7**	140.8
Programs, broadcast and distribution rights	**73.3**	60.5
Work in progress	**2.2**	11.4
	$ 212.2	$ 239.4

Cost of inventories included in purchase of goods and services amounted to $873.4 million in 2014 ($830.2 million in 2013), of which $155.2 million is presented as part of discontinued operations in 2014 ($181.5 million in 2013). Write-downs of inventories totalling $4.4 million were recognized in purchase of goods and services in 2014 ($5.1 million in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommu-nications networks	Projects under development	Total
Cost					
Balance as of December 31, 2012	$ 544.3	$ 1,246.6	$ 4,281.8	$ 50.6	$ 6,123.3
Additions	27.1	177.0	293.8	64.5	562.4
Net change in additions financed with accounts payable	–	(2.8)	(5.0)	3.0	(4.8)
Reclassification	0.3	20.8	51.0	(72.1)	–
Reclassification to assets held for sale	–	(3.6)	–	–	(3.6)
Retirement, disposals and other[1]	–	(10.6)	(66.7)	–	(77.3)
Balance as of December 31, 2013	571.7	1,427.4	4,554.9	46.0	6,600.0
Additions	34.9	170.4	289.1	151.3	645.7
Net change in additions financed with accounts payable	–	1.7	(1.2)	(0.3)	0.2
Reclassification	0.5	34.3	119.1	(153.9)	–
Business acquisitions and disposals	54.6	24.5	–	–	79.1
Reclassification to assets held for sale	(118.0)	(191.8)	–	(1.9)	(311.7)
Retirement, disposals and other[1]	(11.8)	(68.9)	(80.8)	(3.5)	(165.0)
Balance as of December 31, 2014	**$ 531.9**	**$ 1,397.6**	**$ 4,881.1**	**$ 37.7**	**$ 6,848.3**
Accumulated depreciation and impairment losses					
Balance as of December 31, 2012	$ 182.4	$ 518.1	$ 2,017.0	$ –	$ 2,717.5
Depreciation	18.5	163.8	322.3	–	504.6
Reclassification to assets held for sale	–	(1.9)	–	–	(1.9)
Retirement, disposals and other[1]	5.6	7.5	(65.7)	–	(52.6)
Balance as of December 31, 2013	206.5	687.5	2,273.6	–	3,167.6
Depreciation	19.6	188.8	333.2	–	541.6
Business disposals	(3.3)	(9.0)	–	–	(12.3)
Reclassification to assets held for sale	(32.9)	(107.4)	–	–	(140.3)
Retirement, disposals and other[1]	(7.3)	(51.5)	(79.9)	–	(138.7)
Balance as of December 31, 2014	**$ 182.6**	**$ 708.4**	**$ 2,526.9**	**$ –**	**$ 3,417.9**
Net carrying amount					
As of December 31, 2013	$ 365.2	$ 739.9	$ 2,281.3	$ 46.0	$ 3,432.4
As of December 31, 2014	**$ 349.3**	**$ 689.2**	**$ 2,354.2**	**$ 37.7**	**$ 3,430.4**

1 Includes also the net change in assets related to discontinued operations.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licenses[1,2]	Software	Customer relation-ships and other	Broad-casting licenses	Mastheads	Projects under develop-ment	Total
Cost							
Balance as of December 31, 2012	$ 554.6	$ 543.0	$ 224.9	$ 103.0	$ 110.8	$ 27.3	$ 1,563.6
Additions	15.9	37.2	4.0	–	–	20.7	77.8
Net change in additions financed with accounts payable	–	2.4	–	–	–	0.2	2.6
Reclassification	–	32.4	–	–	–	(32.4)	–
Reclassification to assets held for sale	–	–	(16.4)	–	(7.0)	–	(23.4)
Retirement, disposals and other[3]	–	(32.2)	(3.6)	–	(0.5)	–	(36.3)
Balance as of December 31, 2013	570.5	582.8	208.9	103.0	103.3	15.8	1,584.3
Additions	217.4	66.7	4.0	–	–	29.2	317.3
Net change in additions financed with accounts payable	–	(0.8)	–	–	–	(1.8)	(2.6)
Reclassification	–	34.0	–	–	–	(34.0)	–
Business acquisitions and disposals	–	(3.3)	3.5	–	–	–	0.2
Reclassification to assets held for sale	–	(37.2)	(110.9)	–	(103.3)	(1.9)	(253.3)
Retirement, disposals and other[3]	–	(17.9)	(3.0)	–	–	0.1	(20.8)
Balance as of December 31, 2014	**$ 787.9**	**$ 624.3**	**$ 102.5**	**$ 103.0**	**$ –**	**$ 7.4**	**$ 1,625.1**

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS (continued)

	Spectrum licenses	Software	Customer relation-ships and other	Broad-casting licenses	Mastheads	Projects under develop-ment	Total
Accumulated amortization and impairment losses							
Balance as of December 31, 2012	$ 122.5	$ 276.2	$ 142.6	$ 0.8	$ 64.8	$ –	$ 606.9
Amortization	55.6	53.3	17.2	–	–	–	126.1
Impairment (note 7)	–	–	28.1	–	27.9	–	56.0
Reclassification to assets held for sale	–	–	(5.8)	–	–	–	(5.8)
Retirement, disposals and other[3]	–	(18.7)	(5.0)	–	–	–	(23.7)
Balance as of December 31, 2013	178.1	310.8	177.1	0.8	92.7	–	759.5
Amortization	55.7	64.1	5.6	–	–	–	125.4
Impairment (note 7)	–	–	–	41.7	–	–	41.7
Business disposals	–	(3.8)	(4.4)	–	–	–	(8.2)
Reclassification to assets held for sale	–	(28.0)	(106.5)	–	(92.7)	–	(227.2)
Retirement, disposals and other[3]	–	(10.3)	(1.6)	–	–	–	(11.9)
Balance as of December 31, 2014	**$ 233.8**	**$ 332.8**	**$ 70.2**	**$ 42.5**	**$ –**	**$ –**	**$ 679.3**
Net carrying amount							
As of December 31, 2013	$ 392.4	$ 272.0	$ 31.8	$ 102.2	$ 10.6	$ 15.8	$ 824.8
As of December 31, 2014	**$ 554.1**	**$ 291.5**	**$ 32.3**	**$ 60.5**	**$ –**	**$ 7.4**	**$ 945.8**

1 Videotron has the option, effective as of January 1, 2014, to sell its unused AWS spectrum licence in the Toronto region to Rogers Communications Partnership for a price of $180.0 million. The spectrum licence was purchased at a cost of $96.4 million in 2008.

2 In 2014, Videotron acquired seven 700 MHz spectrum licences, covering the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for a total price of $233.3 million, for which Videotron made a cash deposit of $15.9 million in 2013 and paid the balance in 2014.

3 Includes also the net change in assets related to discontinued operations.

The cost of internally generated intangible assets, mainly composed of software, was $415.8 million as of December 31, 2014 ($364.1 million as of December 31, 2013). For the year ended December 31, 2014, the Corporation recorded additions of internally generated intangible assets of $62.0 million ($45.2 million in 2013).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS (continued)

The accumulated amortization and impairment losses of internally generated intangible assets, mainly composed of software, was $209.8 million as of December 31, 2014 ($174.1 million as of December 31, 2013). For the year ended December 31, 2014, the Corporation recorded $44.8 million of amortization for its internally generated intangible assets ($42.1 million in 2013). The net carrying value of internally generated intangible assets was $206.0 million as of December 31, 2014 ($190.0 million as of December 31, 2013).

Broadcasting licenses are allocated to the Broadcasting CGU and mastheads are allocated to the Newspaper CGU, both part of the Media Segment.

17. GOODWILL

For the years ended December 31, 2014 and 2013, changes in the net carrying amount of goodwill are as follows:

Cost		
Balance as of December 31, 2012	$	6,993.2
Business acquisitions		5.7
Business disposals		(19.5)
Reclassification to assets held for sale		(118.6)
Other		2.1
Balance as of December 31, 2013		6,862.9
Business acquisitions		18.0
Business disposals		(93.9)
Reclassification to assets held for sale		(1,203.0)
Other		0.3
Balance as of December 31, 2014	**$**	**5,584.3**
Accumulated amortization and impairment losses		
Balance as of December 31, 2012	$	3,621.6
Impairment loss (note 7)		249.8
Reclassification to assets held for sale		(70.0)
Balance as of December 31, 2013		3,801.4
Impairment loss (note 7)		199.3
Business disposals		(58.0)
Reclassification to assets held for sale		(1,073.0)
Balance as of December 31, 2014	**$**	**2,869.7**
Net carrying amount		
As of December 31, 2013	$	3,061.5
As of December 31, 2014	**$**	**2,714.6**

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2014 and 2013 is allocated to the following significant groups of CGUs:

Industry segment	Group of CGUs	**2014**	2013
Telecommunications	Telecommunications	**$ 2,570.3**	$ 2,570.3
Media	Newspapers	**85.0**	405.0
	Magazines	**35.8**	35.8
	Specialty film and television services	**12.3**	–
	Broadcasting	**–**	9.3
	Book publishing and distribution	**4.4**	4.4
Sports and Entertainment	Sports and Entertainment	**6.8**	1.0
Disposed business[1]		**–**	35.7
Total		**$ 2,714.6**	$ 3,061.5

[1] The goodwill in 2013 related to the Nurun subsidiary sold in September 2014 (note 8).

<u>Recoverable amounts</u>

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

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

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

17. GOODWILL (continued)

Recoverable amounts (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant group of CGUs:

	2014		2013	
Group of CGUs	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications:				
Telecommunications[1]	**8.9 %**	**2.5 %**	9.0 %	3.0 %
Media				
Newspapers[2]	**11.4**	**0.0**	12.7	0.0
Magazines[1]	**15.9**	**1.0**	16.4	1.0
Broadcasting[2]	**11.1**	**1.0**	11.3	1.0
Book publishing and distribution[1]	**15.8**	**1.0**	15.4	0.5

1 The recoverable amounts of these CGUs were based on value in use in 2014.

2 The recoverable amounts of these CGUs were based on fair value less costs of disposal in 2014 using a discounted cash flow method, except for the English newspapers activities, for which the fair value less costs of disposal was based on the metrics of an announced transaction (note 8). These fair values are classified as level 3 in the fair value hierarchy described in note 27(b).

Sensitivity of recoverable amounts

The following table presents, for each principal group of CGUs, the change in the discount rate or in the perpetual growth rate used for the tests performed that would have been required in order for the recoverable amount to equal the carrying value of the CGU as of the most recent impairment tests in 2014:

Group of CGUs[1]	**Incremental increase in pre-tax discount rate (WACC)**	**Incremental decrease in perpetual growth rate**
Telecommunications	4.8 %	5.2 %
Media:		
Magazines	4.0	5.7
Book publishing and distribution	8.4	12.7

1 No sensitivity tests were performed for CGUs on which impairment charges were recorded in the latest impairment tests.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. OTHER ASSETS

	Note	2014	2013
Programs, broadcast and distribution rights		**$ 32.0**	$ 32.0
Deferred connection costs		**24.3**	31.6
Defined benefit plans	31	**3.3**	11.4
Other		**19.7**	27.1
		$ 79.3	$ 102.1

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2014	2013 (restated, note 1(b))
Trade and accruals	**$ 467.9**	$ 498.8
Salaries and employee benefits	**125.3**	146.9
Interest payable	**41.9**	42.2
Stock-based compensation	**15.1**	18.2
	$ 650.2	$ 706.1

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

20. PROVIDES AND CONTINGENCIES

	Restructuring of operations	Contingencies, legal disputes and other	Total
Balance as of December 31, 2013	$ 25.5	$ 17.5	$ 43.0
Recognized in income as continuing operations	10.5	37.4	47.9
Recognized in income as discontinued operations	7.7	–	7.7
Payments	(34.8)	(1.9)	(36.7)
Reclassification to liabilities held for sale	(3.4)	–	(3.4)
Other	(0.2)	3.1	2.9
Balance as of December 31, 2014	**$ 5.3**	**$ 56.1**	**$ 61.4**
Current portion	**$ 5.3**	**$ 51.4**	**$ 56.7**
Non-current portion	**–**	**4.7**	**4.7**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions in the Media segment.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation’s results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if a payment related to these provisions will be made.

Other

Other provisions are principally related to contingent liability on business acquisition and decommissioning obligation.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2014		**2014**	2013
Quebecor				
Bank credit facility (i)	3.91	%	**$ 43.8**	$ 66.8
Other loan (ii)	3.54	%	**32.9**	33.7
			76.7	100.5
Quebecor Media (iii)				
Bank credit facilities (iv)	3.25	%	**400.0**	371.9
Other credit facility (v)	1.72	%	**10.6**	21.2
Senior Notes (vi) (note 9)	(vi)		**1,813.0**	2,133.1
			2,223.6	2,526.2
Videotron (iii)				
Bank credit facilities (vii)	2.78	%	**37.5**	48.2
Senior Notes (vi) (note 9)	(vi)		**2,913.5**	2,390.3
			2,951.0	2,438.5
TVA Group (iii)				
Bank credit facilities (viii)	3.54	%	**74.8**	75.0
Other			**0.6**	0.5
Total long-term debt			**5,326.7**	5,140.7
Change in fair value related to hedged interest rate risk			**8.2**	–
Adjustments related to embedded derivatives			**(5.2)**	(8.9)
Financing fees, net of amortization			**(51.4)**	(55.3)
			(48.4)	(64.2)
			5,278.3	5,076.5
Less current portion			**(230.1)**	(101.2)
			$ 5,048.2	$ 4,975.3

21. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2016 in an amount of $150.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in August 2017. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facilities of Quebecor Media are comprised of (a) a US$350.0 million secured term loan "B" facility issued in August 2013, bearing interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a premium of 2.50% and (b) a $300.0 million secured revolving credit facility, bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, and maturing in January 2017. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2014, the credit facilities of Quebecor Media were secured by assets with a carrying value of $4,707.1 million ($4,668.4 million in 2013). As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility, while the balance of the term loan "B" was $400.0 million ($371.9 million in 2013).

(v) The long-term credit facility for the CAN dollar equivalent of €59.4 million, bears interest at Bankers' acceptance rate, plus a premium, and matures in July 2015. The facility is secured by all the property and assets of Quebecor Media, now owned and hereafter acquired. This facility mostly contains the same covenants as the revolving credit facility described in (iv).

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

21. LONG-TERM DEBT (continued)

(vi) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends or make other distributions. Some notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the notes and at a decreasing premium thereafter, while the remaining notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2014:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
$ 325.0	7.375 %	7.375 %	January 15, 2021	June and December 15
US$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
US$ 175.0	6.375 %	6.444 %	December 15, 2015	June and December 15
US$ 75.0	9.125 %	9.375 %	April 15, 2018	June and December 15
$ 300.0	7.125 %	7.125 %	January 15, 2020	June and December 15
$ 300.0	6.875 %	6.875 %	July 15, 2021	June and December 15
US$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US$ 600.0[1]	5.375 %	5.375 %	June 15, 2024	June and December 15
$ 400.0[2]	5.625 %	5.625 %	June 15, 2025	April and October 15

1 The notes were issued in April 2014 for net proceeds of $654.5 million, net of financing fees of $7.8 million.

2 The notes were issued in June 2013 for net proceeds of $394.8 million, net of financing fees of $5.2 million.

(vii) The bank credit facilities provide for a $575.0 million secured revolving credit facility that matures in July 2018 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facility bears interest at Bankers' acceptance rate, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2014, the bank credit facilities were secured by assets with a carrying value of $6,238.3 million ($7,013.7 million in 2013). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility. As of December 31, 2014, $37.5 million ($48.2 million in 2013) was outstanding on the export financing facility.

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

21. LONG-TERM DEBT (continued)

(viii) The bank credit facilities of TVA Group are comprised of a secured revolving credit facility in the amount of $150.0 million, maturing in February 2019, and a secured term loan in the amount of $75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends and make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its head office building. The term loan has replaced the previous term loan at its maturity on December 11, 2014. As of December 31, 2014 and 2013, no amount was drawn on the revolving credit facility, and as of December 31, 2014, $74.8 million was outstanding on the term loan ($75.0 million in 2013).

On December 31, 2014, the Corporation and its subsidiaries were in compliance with all debt covenants.

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

2015	$	230.1
2016		63.4
2017		51.8
2018		105.5
2019		56.9
2020 and thereafter		4,819.0

22. OTHER LIABILITIES

	Note		2014		2013
					(restated, note 1(b))
Defined benefit plans	31	**$**	**136.8**	$	113.3
Embedded derivatives related to convertible debentures			**232.2**		140.6
Deferred revenue			**25.7**		33.8
Stock-based compensation[1]	24		**14.4**		18.1
Other[2]			**17.7**		13.6
		$	**426.8**	$	319.4

[1] The current portion of $15.1 million of stock-based compensation is included in accounts payable and accrued charges ($18.2 million in 2013) (note 19).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2014 and 2013 and a combined carrying value of $2.1 million as of December 31, 2014 and 2013. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

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

23. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2012	39,175,572	$ 8.7	85,759,592	$ 326.4
Class A Shares converted into Class B Shares	(150,900)	–	150,900	–
Shares purchased and cancelled	–	–	(1,603,700)	(6.2)
Balance as of December 31, 2013	39,024,672	8.7	84,306,792	320.2
Class A Shares converted into Class B Shares	(51,500)	–	51,500	–
Shares purchased and cancelled	–	–	(455,000)	(1.7)
Balance as of December 31, 2014	**38,973,172**	**$ 8.7**	**83,903,292**	**$ 318.5**

On July 31, 2014, the Corporation filed a normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2014. The purchases can be made from August 13, 2014 to August 12, 2015 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of $11.7 million (1,603,700 Class B Shares for a total cash consideration of $36.4 million in 2013). The excess of $10.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2014 ($30.2 million in 2013).

On March 10, 2015, the Board of Directors of the Corporation declared a dividend of $0.025 per share on Class A Shares and Class B Shares, or approximately $3.1 million, payable on April 21, 2015 to shareholders of record at the close of business on March 27, 2015.

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

24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 13,000,000 of Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2014 and 2013:

	2014		2013	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,369,182**	**$ 21.13**	723,264	$ 18.64
Granted	**1,010,000**	**26.30**	1,645,918	22.23
Exercised	**(527,208)**	**18.83**	–	–
Cancelled	**(1,541,974)**	**21.71**	–	–
Balance at end of year	**1,310,000**	**$ 25.36**	2,369,182	$ 21.13
Vested options at end of year	**–**	**$ –**	527,208	$ 18.83

During the year ended December 31, 2014, 527,208 stock options of the Corporation were exercised for a cash consideration of $4.2 million (none in 2013).

The following table gives summary information on outstanding options as of December 31, 2014:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$22.23 to 30.24	**1,310,000**	**9.18**	**$ 25.36**	**–**	**$ –**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Corporation Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2014 and 2013:

		2014		2013
	Units	**Weighted average exercise price**	Units	Weighted average exercise price
Balance at beginning of year	**2,263,516**	**$ 19.92**	1,757,146	$ 15.99
Granted	**1,388,447**	**26.47**	1,180,818	22.08
Exercised	**(480,148)**	**18.76**	(674,448)	13.46
Cancelled	**(2,368,298)**	**21.86**	–	–
Balance at end of year	**803,517**	**$ 26.22**	2,263,516	$ 19.92

During the year ended December 31, 2014, a cash consideration of $3.7 million was paid upon exercise of 480,148 units ($3.9 million for 674,448 units in 2013).

(iii) Deferred stock unit plan

The Quebecor deferred stock unit ("DSU") plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation's Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation's Class B Shares on the date of redemption. As of December 31, 2014 and 2013, the total number of DSUs outstanding under this plan was 160,338 and 178,216, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2014 and 2013:

		2014		2013
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,647,309**	**$ 52.67**	1,349,007	$ 45.02
Granted	**271,000**	**63.96**	921,711	57.60
Exercised	**(218,750)**	**46.28**	(554,309)	42.43
Cancelled	**(67,600)**	**58.85**	(69,100)	51.03
Balance at end of year	**1,631,959**	**$ 55.15**	1,647,309	$ 52.67
Vested options at end of year	**263,823**	**$ 46.74**	186,298	$ 45.12

During the year ended December 31, 2014, 218,750 of Quebecor Media's stock options were exercised for a cash consideration of $3.6 million (554,309 stock options for $8.8 million in 2013).

The following table gives summary information on outstanding options as of December 31, 2014:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$30.47 to 44.45	71,663	3.28	$ 40.03	71,663	$ 40.03
$45.82 to 64.89	1,560,296	7.85	55.84	192,160	49.24
$30.47 to 64.89	**1,631,959**	**7.65**	**$ 55.15**	**263,823**	**$ 46.74**

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group") have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of Class B Shares on the Toronto Stock Exchange the day before the option is granted. Options granted prior to January 2006 usually vest equally over a four-year period, with the first 25% vesting on the second anniversary date of the date of grant. Beginning January 2006, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the Class B Non-Voting Shares of TVA Group and the exercise price of the option or, subject to certain conditions, exercise their options to purchase Class B Non-Voting Shares of TVA Group at the exercise price. The market value is defined as the average closing market price of the Class B Non-Voting Shares of TVA Group for the last five trading days preceding the date on which the option was exercised.

The following table gives details on changes to outstanding options for the years ended December 31, 2014 and 2013:

		2014		2013
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**691,076**	**$ 16.54**	819,421	$ 16.34
Granted	**30,000**	**8.90**	–	–
Cancelled	**(69,208)**	**15.32**	(128,345)	15.29
Expired	**(126,500)**	**20.75**	–	–
Balance at end of year	**525,368**	**$ 15.25**	691,076	$ 16.54
Vested options at end of year	**495,368**	**$ 15.63**	691,076	$ 16.54

The following table gives summary information on outstanding options as of December 31, 2014:

			Outstanding options		**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$8.90	30,000	9.58	$ 8.90	–	$ –
$14.50 to 21.38	495,368	2.15	15.63	495,368	15.63
$8.90 to 21.38	**525,368**	**2.57**	**$ 15.25**	**495,368**	**$ 15.63**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

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

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2014 and 2013:

December 31, 2014	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**1.69 %**	**1.38 %**	**1.07 %**
Dividend yield	**0.31 %**	**1.37 %**	**– %**
Expected volatility	**26.89 %**	**18.99 %**	**32.61 %**
Expected remaining life	**6.0 years**	**3.58 years**	**1.21 year**

December 31, 2013	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.92 %	1.75 %	1.05 %
Dividend yield	0.38 %	1.55 %	– %
Expected volatility	27.25 %	23.26 %	32.56 %
Expected remaining life	4.6 years	4.0 years	1.0 year

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Dividend yield is based on the current average yield.

(e) Liability of vested options

As of December 31, 2014, the liability for all vested options was $6.3 million as calculated using the intrinsic value ($7.5 million as of December 31, 2013).

(f) Consolidated compensation charge

For the year ended December 31, 2014, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $5.8 million ($23.6 million in 2013), of which a charge of $0.9 million ($0.5 million in 2013) is presented as part of discontinued operations.

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

25. CONVERTIBLE DEBENTURES

On October 11, 2012, the Corporation issued $500.0 million in aggregate principal amount of convertible debentures bearing interest at an annual rate of 4.125% and maturing in October 2018. Interest is payable semi-annually in cash, in Quebecor Class B Shares, or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B Share, subject to a floor price of $19.25 per share (that is, a maximum number of 25,974,026 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the floor price) and a ceiling price of $24.06 per share (that is, a minimum number of 20,779,220 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives in other liabilities (note 22). The fair value of these embedded derivatives as of December 31, 2014 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 1.41% (2.02% in 2013), a dividend yield of 0.31% (0.38% in 2013), and an expected volatility of 20.40% (26.39% in 2013). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2014 would have increased the loss on embedded derivatives related to convertible debentures by $19.2 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $19.1 million.

26. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

	Translation of net investments in foreign operations	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2012	$ (2.1)	$ 29.0	$ (77.2)	$ (50.3)
Other comprehensive income (loss)	3.3	(45.0)	68.9	27.2
Balance as of December 31, 2013	1.2	(16.0)	(8.3)	(23.1)
Other comprehensive income (loss)	(1.2)	(13.2)	(26.9)	(41.3)
Balance as of December 31, 2014	**$ –**	**$ (29.2)**	**$ (35.2)**	**$ (64.4)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 9 1/2-year period.

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

27. COMMITMENTS

Leases and other commitments

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, broadcasting rights, and to pay royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Continuing operations		Discontinued operations	
	Leases	Other commitments	Leases	Other commitments
2015	$ 49.6	$ 274.9	$ 5.7	$ 1.4
2016 to 2019	121.0	561.2	11.5	2.1
2020 and thereafter	92.4	629.3	1.2	–

The Corporation and its subsidiaries' operating lease expenses amounted to $69.3 million in 2014 ($72.6 million in 2013), of which $7.2 million ($9.9 million in 2013) is presented as part of discontinued operations.

Business acquisition

In November 2014, the Media segment, through TVA Group, reached an agreement to acquire 15 magazine titles in Canada for a cash consideration of $55.5 million, subject to authorization by the Competition Bureau, which was received on March 2, 2015.

28. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2018. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2014, the maximum exposure with respect to these guarantees was $14.5 million and no liability has been recorded in the consolidated balance sheet.

28. GUARANTEES (continued)

Business and asset disposals

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

Outsourcing companies and suppliers

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

Other

One of the subsidiary of the Corporation as a franchiser has provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar		Notional amount sold		Notional amount bought
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.1198	$	106.3	US$	94.9
2017[2]	1.1204	US$	260.0	$	291.3

(ii) Interest rate swaps

Maturity		Notional amount	Pay/ receive	Fixed rate	Floating rate
TVA Group					
December 2017	$	44.0	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(iii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023[1]	2007 to 2016	US$ 320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$ 345.6	Bankers' acceptances 3 months + 2.77%	1.0346
Videotron				
6.375% Senior Notes due 2015	2005 to 2015	US$ 175.0	5.98%	1.1781
9.125% Senior Notes due 2018	2008 to 2018	US$ 75.0	9.64%	1.0215
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptances 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

[1] Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, Quebecor Media has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued on April 9, 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 7, *Financial Instruments: Disclosures*, the Corporation has considered the following fair value hierarchy that reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

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

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using level 2 inputs.

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

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using level 2 market inputs, including volatility, discount factors and underlying instruments adjusted implicit interest rate and credit premium.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The carrying value and fair value of long term debt, convertible debentures and derivative financial instruments as of December 31, 2014 and 2013 are as follows:

	2014		2013	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
			(restated, note 1(b))	
Long-term debt[1,2]	**$ (5,326.7)**	**$ (5,444.7)**	$ (5,140.7)	$ (5,200.0)
Convertible debentures[3]	**(711.8)**	**(711.8)**	(615.1)	(615.1)
Derivative financial instruments[4]				
Early settlement options	**8.2**	**8.2**	14.5	14.5
Foreign exchange forward contracts[5]	**4.2**	**4.2**	1.8	1.8
Interest rate swaps	**(0.5)**	**(0.5)**	–	–
Cross-currency interest rate swaps[5]	**294.4**	**294.4**	(53.2)	(53.2)

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

[2] The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

[3] The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

[4] The fair value of derivative financial instruments designated as hedges is an asset position of $298.6 million as of December 31, 2014 (an asset position of $18.6 million as of December 31, 2013).

[5] The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2014, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2014, 8.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2013) of which 57.3% had an allowance for doubtful accounts (46.5% as of December 31, 2013).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2014 and 2013:

	2014	2013
Balance as of beginning of year	**$ 28.4**	$ 29.6
Charged to income	**32.1**	41.3
Utilization	**(34.5)**	(42.5)
Reclassification to assets held for sale	**(4.2)**	–
Balance as of end of year	**$ 21.8**	$ 28.4

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

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

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

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.2 years as of December 31, 2014 (6.9 years as of December 31, 2013).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, and dividends in the future. The Corporation has access to cash flows generated by its subsidiaries through dividends paid by Quebecor Media.

As of December 31, 2014, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 5.2**	$ 5.2	$ –	$ –	$ –
Accounts payable and accrued charges	**650.2**	650.2	–	–	–
Long-term debt[1]	**5,326.7**	230.1	115.2	162.4	4,819.0
Convertible debentures[2]	**663.7**	–	–	663.7	–
Interest payments[3]	**2,274.7**	284.7	625.8	583.7	780.5
Derivative instruments[4]	**(308.9)**	4.7	51.0	(8.2)	(356.4)
Total	**$ 8,611.6**	**$ 1,174.9**	**$ 792.0**	**$ 1,401.6**	**$ 5,243.1**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2014 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2014.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk

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

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2014, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar as of December 31, 2014:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10		
U.S.-dollar-denominated accounts payable	$ (1.0)	$ –
Gain on valuation and translation of financial instruments and derivative financial instruments	2.7	49.5
Decrease of $0.10		
U.S.-dollar-denominated accounts payable	1.0	–
Gain on valuation and translation of financial instruments and derivative financial instruments	(2.7)	(49.5)

Interest rate risk

Some of the Corporation's and its subsidiaries' bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2014, after taking into account the hedging instruments, long-term debt was comprised of 82.6 % fixed-rate debt (81.6% in 2013) and 17.4 % floating-rate debt (18.4% in 2013).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2014 is $8.6 million.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Interest rate risk (continued)

The estimated sensitivity on income and other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2014, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	**$ 0.8**	**$ (22.2)**
Decrease of 100 basis points	**(0.8)**	**22.2**

(f) Capital management

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

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

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivative related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2014 and 2013 is as follows:

	2014	2013 (restated, note 1(b))
Bank indebtedness	**$ 5.2**	$ 0.5
Long-term debt	**5,278.3**	5,076.5
Embedded derivatives related to convertible debentures	**232.2**	140.6
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(298.1)**	51.4
Cash and cash equivalents	**(395.3)**	(476.6)
Net liabilities	**5,322.3**	5,292.4
Equity	**$ 1,063.3**	$ 1,195.4

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

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

30. RELATED PARTY TRANSACTIONS

Key management personnel compensation

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

	2014	2013
Salaries and short-term benefits	**$ 11.0**	$ 9.9
Share-based compensation	**(0.1)**	18.4
Other long-term benefits	**7.9**	4.3
	$ 18.8	$ 32.6

Operating transactions

During the year ended December 31, 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $2.9 million ($3.3 million in 2013), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.5 million in 2013). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, and defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The pension plans of the Corporation are registered with a Québec or federal regulatory authority.

The Corporation’s funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future payment of amortization payments when the degree of solvability of the pension plans is less than 100% as defined by the relevant Québec and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with provisions of plans.

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2014 and 2013:

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Change in benefit obligations				
Benefit obligations at beginning of year	**$ 991.6**	$ 1,019.0	**$ 54.3**	$ 60.6
Service costs	**31.4**	38.6	**1.1**	1.3
Interest costs	**50.9**	49.8	**2.6**	2.5
Plan participants' contributions	**14.6**	15.0	**–**	–
Actuarial loss (gain) arising from:				
Demographic assumptions	**12.2**	26.3	**0.4**	2.1
Financial assumptions	**136.7**	(89.7)	**4.8**	(5.5)
Participant experience	**(2.3)**	(12.9)	**3.5**	(2.5)
Benefits and settlements paid	**(54.4)**	(55.2)	**(1.5)**	(1.4)
Plan amendments and other	**1.1**	0.8	**–**	(2.8)
Benefit obligations at end of year	**$ 1,181.8**	$ 991.7	**$ 65.2**	$ 54.3

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Change in plan assets				
Fair value of plan assets at beginning of year	**$ 976.7**	$ 815.6	**$ –**	$ –
Actual return on plan assets	**118.7**	129.5	**–**	–
Employer contributions	**60.0**	71.8	**1.5**	1.4
Plan participants' contributions	**14.6**	15.0	**–**	–
Benefits and settlements paid	**(54.4)**	(55.2)	**(1.5)**	(1.4)
Fair value of plan assets at end of year	**$ 1,115.6**	$ 976.7	**$ –**	$ –

As of December 31, 2014, the weighted average duration of defined benefit obligation was 16.7 years (15.7 years in 2013). The Corporation expects future benefit payments of $54.7 million in 2015.

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

Plan assets are comprised of:

	2014	2013
Equity securities:		
Canadian	**22.4 %**	24.0 %
Foreign	**32.3**	34.3
Debt securities	**41.8**	38.6
Other	**3.5**	3.1
	100.0 %	100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

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

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

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Benefit obligations	**$ (1,181.8)**	$ (991.7)	**$ (65.2)**	$ (54.3)
Fair value of plan assets	**1,115.6**	976.7	**–**	–
Plan deficit	**(66.2)**	(15.0)	**(65.2)**	(54.3)
Asset limit and minimum funding adjustment	**(4.4)**	(32.6)	**–**	–
Net amount recognized[1]	**$ (70.6)**	$ (47.6)	**$ (65.2)**	$ (54.3)

[1] The net amount recognized for 2014 consists of a liability of $136.8 million ($113.3 million in 2013) included in other liabilities (note 22) and of an asset of $3.3 million ($11.4 million in 2013) included in other assets (note 18), and a liability of $2.3 million included with liabilities held for sale.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Actuarial (loss) gain on benefit obligations	**$ (146.6)**	$ 76.3	**$ (8.7)**	$ 5.9
Actual return on plan assets, less interest income anticipated as part of the interest on net defined benefit liability	**71.6**	91.8	**–**	–
Asset limit and minimum funding adjustment	**29.8**	(32.6)	**–**	–
Re-measurements recorded in other comprehensive income	**$ (45.2)**	$ 135.5	**$ (8.7)**	$ 5.9

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Employee costs:				
Service costs	**$ 31.4**	$ 38.6	**$ 1.1**	$ 1.3
Curtailment loss (gain) and other	**3.7**	2.5	**–**	(2.9)
Interest on net defined benefit liability	**2.6**	10.3	**2.5**	2.5
Net benefit costs	**$ 37.7**	$ 51.4	**$ 3.6**	$ 0.9

[1] Net benefit costs of $5.1 million in 2014 were presented as part of discontinued operations ($7.7 million in 2013).

The expense related to defined contribution pension plans amounted to $15.3 million in 2014 ($15.1 million in 2013), of which $1.5 million ($1.5 million in 2013) is presented as part of discontinued operations.

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefits plans will be $49.2 million in 2015 based on the most recent financial actuarial reports filed and the expected transaction described in note 8 (contributions of $61.5 million were paid in 2014).

Assumptions

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2014 and 2013
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2014 and 2013 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2014	2013	**2014**	2013
Benefit obligations				
Rates as of year-end:				
Discount rate	**4.10%**	4.90%	**4.10%**	4.90%
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**4.90%**	4.40%	**4.90%**	4.40%
Rate of compensation increase	**3.00**	3.25	**3.00**	3.25

The assumed average retirement age of participants used was of 62 years in 2014 and 2013.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 8.5 % at the end of 2014. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 6.0% and to remain at that level thereafter.

Sensitivity analysis

A decrease of 10 basis points in the discount rate would have had the following impacts, before income tax, for the year ended December 31, 2014:

	Pension benefits			**Postretirement benefits**		
Increase (decrease)	**Obligation in balance sheet**	**Income**	**Other comprehensive income**	**Obligation in balance sheet**	**Income**	**Other comprehensive income**
Discount rate	$ 19.6	$ (1.5)	$ (19.6)	$ 1.3	$ –	$ (1.3)

There are limitations to the above sensitivity analysis since it only considers the impacts of a decrease of 10 basis points in the discount rate assumption (at the beginning of the year having an impact on income and at the end of the year having an impact on comprehensive income) without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to these assumptions would not have a significant impact on the consolidated financial statements.

32. SUBSEQUENT EVENTS

In January 2015, Videotron entered into new unsecured on demand credit facilities, under which letters of credit were issued and filed with Industry Canada as pre-auction financial deposits in respect to its application to participate to the 2500 MHz and AWS-3 spectrum auctions. Under Industry Canada's published rules respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which can be withdrawn by Videotron at any time prior to the auction commencement. On March 6, 2015, Quebecor Media and its subsidiary Videotron announced that it had acquired four 30 MHz licences in the auction for AWS-3 commercial mobile spectrum at a total price of $31.8 million. The process will resume on April 14, 2015 with the auction for spectrum in the 2500 MHz band.

On February 4, 2015, TVA Group filed a final short form prospectus with the securities regulatory authorities in the 10 Canadian provinces in connection with a proposed rights offering, in which all holders of TVA Group's outstanding Class A Common Shares, voting, participating, without par value ("Class A Shares of TVA Group") and Class B Non-Voting Shares of TVA Group as of February 18, 2015 received rights to subscribe for Class B Non-Voting Shares of TVA Group for aggregate gross proceeds of approximately $110.0 million ("the Rights Offering"). The final short form prospectus and relevant documentation were mailed on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering is anticipated to occur on or about March 20, 2015. In accordance with a standby commitment agreement entered into with TVA Group, Quebecor Media has provided a standby commitment pursuant to which it will be required to acquire any Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group, and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell, to pay compensation totalling $137.0 million for having deliberately neglected to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005. The judgement stated that Bell ExpressVu knew and must have foreseen that this practice would cause serious harm to its competitors, including Videotron, its main rival in Québec.

This is Exhibit 45 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC. AND ITS SUBSIDIARIES

Years ended December 31, 2015 and 2014

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pierre Dion
President and Chief Executive Officer

Jean-François Pruneau
Senior Vice President and Chief Financial Officer

Montréal, Canada

March 8, 2016

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2015 and 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. and its subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada

March 8, 2016

[1] CPA auditor, CA, public accountancy permit no. A107913

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars, except earnings per share data)

	Note	2015	2014
Revenues	2	**$ 3,879.5**	$ 3,607.7
Employee costs	3	**697.4**	648.6
Purchase of goods and services	3	**1,741.4**	1,549.3
Depreciation and amortization		**693.6**	661.1
Financial expenses	4	**335.0**	350.3
(Gain) loss on valuation and translation of financial instruments	5	**(6.7)**	94.7
(Gain) loss on litigation, restructuring of operations and other items	6	**(116.9)**	49.6
Impairment of goodwill and other assets	7	**230.7**	81.0
Loss on debt refinancing	8	**12.1**	18.7
Income before income taxes		**292.9**	154.4
Income taxes (recovery):			
Current	9	**63.4**	121.9
Deferred	9	**29.7**	(24.7)
		93.1	97.2
Income from continuing operations		**199.8**	57.2
Loss from discontinued operations	10	**(19.7)**	(81.6)
Net income (loss)		**$ 180.1**	$ (24.4)
Income from continuing operations attributable to			
Shareholders		**$ 165.6**	$ 29.0
Non-controlling interests		**34.2**	28.2
Net income (loss) attributable to			
Shareholders		**$ 151.8**	$ (30.1)
Non-controlling interests		**28.3**	5.7
Earnings per share attributable to shareholders	11		
Basic:			
From continuing operations		**$ 1.35**	$ 0.24
From discontinued operations		**(0.11)**	(0.48)
Net income (loss)		**1.24**	(0.24)
Diluted:			
From continuing operations		**1.18**	0.24
From discontinued operations		**(0.09)**	(0.48)
Net income (loss)		**1.09**	(0.24)
Weighted average number of shares outstanding (in millions)		**122.7**	123.0
Weighted average number of diluted shares (in millions)		**143.7**	123.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Note	2015	2014
Income from continuing operations		**$ 199.8**	$ 57.2
Other comprehensive loss from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
Gain on valuation of derivative financial instruments		**14.0**	14.2
Deferred income taxes		**(41.6)**	(21.3)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss	31	**(28.4)**	(46.0)
Deferred income taxes		**7.7**	12.3
Reclassification to income:			
Gain related to cash flows hedges	8	**(3.9)**	(10.8)
Deferred income taxes		**(0.4)**	0.4
		(52.6)	(51.2)
Comprehensive income from continuing operations		**147.2**	6.0
Loss from discontinued operations	10	**(19.7)**	(81.6)
Other comprehensive loss from discontinued operations	10	**–**	(7.6)
Comprehensive income (loss)		**$ 127.5**	$ (83.2)
Comprehensive income (loss) from continuing operations attributable to			
Shareholders		**$ 126.1**	$ (6.5)
Non-controlling interests		**21.1**	12.5
Comprehensive income (loss) attributable to			
Shareholders		**$ 112.3**	$ (71.4)
Non-controlling interests		**15.2**	(11.8)

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 23)			(note 26)		
Balance as of December 31, 2013	$ 328.9	$ 2.3	$ 291.4	$ (23.1)	$ 595.9	$ 1,195.4
Net (loss) income	–	–	(30.1)	–	5.7	(24.4)
Other comprehensive loss	–	–	–	(41.3)	(17.5)	(58.8)
Repurchase of Class B Shares	(1.7)	–	(10.0)	–	–	(11.7)
Non-controlling interests acquisition	–	–	(0.1)	–	–	(0.1)
Dividends	–	–	(12.3)	–	(24.8)	(37.1)
Balance as of December 31, 2014	327.2	2.3	238.9	(64.4)	559.3	1,063.3
Net income	–	–	151.8	–	28.3	180.1
Other comprehensive loss	–	–	–	(39.5)	(13.1)	(52.6)
Dividends or distributions	–	–	(16.0)	–	(23.4)	(39.4)
Repurchase of Class B Shares	(1.6)	–	(10.8)	–	–	(12.4)
Issuance of shares of a subsidiary to non-controlling interests (note 12)	–	–	–	–	12.1	12.1
Non-controlling interests and business acquisitions (note 12)	–	–	(281.7)	(7.3)	(210.1)	(499.1)
Balance as of December 31, 2015	**$ 325.6**	**$ 2.3**	**$ 82.2**	**$ (111.2)**	**$ 353.1**	**$ 652.0**

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Note	2015	2014
Cash flows related to operating activities			
Income from continuing operations		**$ 199.8**	$ 57.2
Adjustments for:			
Depreciation of property, plant and equipment	15	**595.2**	535.8
Amortization of intangible assets	16	**98.4**	125.3
(Gain) loss on valuation and translation of financial instruments	5	**(6.7)**	94.7
Impairment of goodwill and other assets	7	**230.7**	81.0
Loss on debt refinancing	8	**12.1**	18.7
Amortization of financing costs and long-term debt discount	4	**7.1**	8.7
Deferred income taxes	9	**29.7**	(24.7)
Other		**5.9**	2.7
		1,172.2	899.4
Net change in non-cash balances related to operating activities		**(100.0)**	61.3
Cash flows provided by continuing operating activities		**1,072.2**	960.7
Cash flows related to investing activities			
Non-controlling interests acquisitions	12	**(500.0)**	–
Business acquisitions	12	**(94.5)**	(132.3)
Business disposals	10	**316.3**	193.5
Additions to property, plant and equipment	15	**(678.6)**	(644.0)
Additions to intangible assets	16	**(360.6)**	(317.3)
Proceeds from disposals of assets		**4.6**	5.4
Other		**(12.6)**	0.5
Cash flows used in continuing investing activities		**(1,325.4)**	(894.2)
Cash flows related to financing activities			
Net change in bank indebtedness		**29.1**	4.7
Net change under revolving facilities		**227.1**	(22.9)
Issuance of long-term debt, net of financing fees	21	**370.1**	728.3
Repayments of long-term debt	8	**(653.3)**	(815.6)
Settlement of hedging contracts	8	**(34.3)**	(65.4)
Repurchase of Class B Shares	23	**(12.4)**	(11.7)
Issuance of shares of a subsidiary to non-controlling interests	12	**12.1**	–
Dividends		**(16.0)**	(12.3)
Dividends or distributions paid to non-controlling interests		**(23.4)**	(24.8)
Cash flows used in continuing financing activities		**(101.0)**	(219.7)
Net change in cash and cash equivalents from continuing operations		**$ (354.2)**	$ (153.2)

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Note	2015	2014
Net change in cash and cash equivalents from continuing operations		**$ (354.2)**	$ (153.2)
Cash flows (used in) provided by discontinued operations	10	**(22.5)**	71.9
Cash and cash equivalents at the beginning of the year		**395.3**	476.6
Cash and cash equivalents at the end of the year		**$ 18.6**	$ 395.3
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash		**$ 17.0**	$ 155.9
Cash equivalents		**1.6**	239.4
		$ 18.6	$ 395.3
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)			
Accounts receivable		**$ (15.4)**	$ 10.0
Inventories		**(44.5)**	7.2
Accounts payable, accrued charges and provisions		**31.5**	29.5
Income taxes		**(97.4)**	8.2
Deferred revenues		**21.0**	8.8
Defined benefit plans		**(3.8)**	(20.0)
Other		**8.6**	17.6
		$ (100.0)	$ 61.3
Non-cash investing activities			
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$ (12.7)**	$ 2.4
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 305.7**	$ 336.8
Cash income tax payments (net of refunds)		**158.0**	124.9

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31, 2015 and 2014
(in millions of Canadian dollars)

	Note	**2015**	2014
Assets			
Current assets			
Cash and cash equivalents		**$ 18.6**	$ 395.3
Accounts receivable	13	**494.1**	449.4
Income taxes		**28.6**	6.7
Inventories	14	**215.5**	212.2
Prepaid expenses		**46.0**	38.0
Assets held for sale	10	**–**	398.1
		802.8	1,499.7
Non-current assets			
Property, plant and equipment	15	**3,424.9**	3,430.4
Intangible assets	16	**1,178.0**	945.8
Goodwill	17	**2,678.4**	2,714.6
Derivative financial instruments	29	**1,072.4**	400.9
Deferred income taxes	9	**29.5**	7.8
Other assets	18	**89.9**	79.3
		8,473.1	7,578.8
Total assets		**$ 9,275.9**	$ 9,078.5

QUEBECOR INC. AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2015 and 2014
(in millions of Canadian dollars)

	Note	**2015**	2014
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 34.3**	$ 5.2
Accounts payable and accrued charges	19	**654.9**	650.2
Provisions	20	**67.1**	56.7
Deferred revenue		**321.5**	283.0
Income taxes		**9.1**	85.5
Derivative financial instruments	29	**–**	0.9
Current portion of long-term debt	21	**44.0**	230.1
Liabilities held for sale	10	**–**	97.9
		1,130.9	1,409.5
Non-current liabilities			
Long-term debt	21	**5,812.4**	5,048.2
Derivative financial instruments	29	**118.7**	101.9
Convertible debentures	25	**500.0**	500.0
Other liabilities	22	**448.2**	426.8
Deferred income taxes	9	**613.7**	528.8
		7,493.0	6,605.7
Equity			
Capital stock	23	**325.6**	327.2
Contributed surplus		**2.3**	2.3
Retained earnings		**82.2**	238.9
Accumulated other comprehensive loss	26	**(111.2)**	(64.4)
Equity attributable to shareholders		**298.9**	504.0
Non-controlling interests		**353.1**	559.3
		652.0	1,063.3
Commitments and contingencies	20, 27		
Guarantees	28		
Subsequent event	32		
Total liabilities and equity		**$ 9,275.9**	$ 9,078.5

See accompanying notes to consolidated financial statements.

On March 8, 2016, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2015 and 2014.

On behalf of the Board of Directors,

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.,
Chairman of the Board

Jean La Couture,
Director

QUEBECOR INC. AND ITS SUBSIDIARIES

SEGMENTED INFORMATION

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. (“Quebecor Media”) and in subsidiaries controlled by Quebecor Media. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	81.1 %	81.1 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network, the operation of specialty television services, the operation of studio rental, soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized sites, the publishing of books and magazines, the distribution of books, magazines and movies, the distribution and production of music, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, and the operation of two Quebec Major Junior Hockey League (“QMJHL”) teams.

In the fourth quarter of 2015, the Corporation changed its organizational structure and transferred its music distribution and production operations from the Sports and Entertainment segment to the Media segment. Accordingly, prior period figures in the Corporation’s segmented information have been reclassified to reflect those changes.

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

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2015
Revenues	$ 3,007.0	$ 964.5	$ 23.2	$ (115.2)	$ 3,879.5
Employee costs	359.4	285.3	11.0	41.7	697.4
Purchase of goods and services	1,261.8	609.0	23.9	(153.3)	1,741.4
Adjusted operating income[1]	1,385.8	70.2	(11.7)	(3.6)	1,440.7
Depreciation and amortization					693.6
Financial expenses					335.0
Gain on valuation and translation of financial instruments					(6.7)
Gain on litigation, restructuring of operations and other items					(116.9)
Impairment of goodwill and other assets					230.7
Loss on debt refinancing					12.1
Income before income taxes					$ 292.9
Additions to property, plant and equipment	$ 630.2	$ 36.0	$ 12.0	$ 0.4	$ 678.6
Additions to intangible assets	312.3	9.3	34.6	4.4	360.6

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES
SEGMENTED INFORMATION (continued)

Years ended December 31, 2015 and 2014
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2014
Revenues	$ 2,837.3	$ 851.7	$ 7.1	$ (88.4)	$ 3,607.7
Employee costs	345.1	258.8	4.2	40.5	648.6
Purchase of goods and services	1,139.0	534.5	5.7	(129.9)	1,549.3
Adjusted operating income[1]	1,353.2	58.4	(2.8)	1.0	1,409.8
Depreciation and amortization					661.1
Financial expenses					350.3
Loss on valuation and translation of financial instruments					94.7
Loss on litigation, restructuring of operations and other items					49.6
Impairment of goodwill and other assets					81.0
Loss on debt refinancing					18.7
Income before income taxes					$ 154.4
Additions to property, plant and equipment	$ 606.1	$ 32.1	$ 5.3	$ 0.5	$ 644.0
Additions to intangible assets	304.7	9.3	0.1	3.2	317.3

1 The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred to as a non-International Financial Reporting Standards ("IFRS") measure and is defined as net income (loss) before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, (gain) loss on litigation, restructuring of operations and other items, impairment of goodwill and other assets, loss on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to consolidated financial statements.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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

Comparative figures for the year ended December 31, 2014 have been restated to conform to the presentation adopted for the year ended December 31, 2015.

(b) Change in accounting estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in the operation of its Telecommunications segment. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development ("ISED") Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense has been recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015 ($55.4 million in 2014).

(c) Consolidation

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

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

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to shareholders, and are initially measured at fair value.

(e) Foreign currency translation

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

Financial statements of the foreign operations disposed of in 2014 (note 10) were translated using the rate in effect at the balance sheet date for assets and liabilities, and using the average exchange rates during the period for revenues and expenses.

(f) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony, over-the-top video, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Telecommunications (continued)

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

- Operating revenues from cable and other services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;
- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

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

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers, magazines, books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Studio, soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

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

- Revenues from leasing, and from ticket, food and beverage sales at the Videotron Centre are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

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

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

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

(h) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

For the year ended December 31, 2015, the Corporation recorded $10.3 million of barter advertising revenues ($14.5 million in 2014).

(i) Income taxes

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes (continued)

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

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

(k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	**Loans and receivables**	**Available-for-sale**	**Other liabilities**
• Cash and cash equivalents • Bank indebtedness • Exchangeable debentures included in "Other liabilities"	• Accounts receivable • Loans and other long-term receivables included in "Other assets"	• Other portfolio investments included in "Other assets"	• Accounts payable and accrued charges • Provisions • Long-term debt • Convertible debentures • Other long-term financial liabilities included in "Other liabilities"

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as "Other liabilities" are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in "Other liabilities", are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in the consolidated statements of income as other items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting

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

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

(l) Financing fees

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

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(n) Cash and cash equivalents

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

(o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(p) Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

In particular, inventories related to broadcasting activities, which primarily comprise programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are classified as current or long-term assets, based on management’s estimate of the broadcast or distribution period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated. Broadcast and distribution rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

Estimates of future revenues used to determine the net realizable values of inventories related to the broadcasting or distribution of television products and movies are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to the net realizable value, as necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

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

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

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

Assets	**Estimated useful life**
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

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

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

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

(s) Goodwill and intangible assets

<u>Goodwill</u>

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized based on the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada, (ii) the Corporation has the financial and operational ability to renew these spectrum licences, (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future (note 1 (b)).

Broadcasting licences, mastheads and sport franchises have also an indefinite useful life and are not amortized. In particular, given the low cost of renewal of broadcasting licences, management believes it is economically compelling to renew the licences and to comply with all rules and conditions attached to those licences. These intangibles assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

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

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

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

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

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

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

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

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 24.

(v) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

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

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

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

(w) Convertible debentures

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

(x) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecast of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 17.

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instruments must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to convertible debentures and to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, the gain or loss on valuation of financial instruments recorded in the consolidated statements of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheets. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 29.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

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

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

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 20.

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

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

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

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changed its conclusion in the future, as it did in 2015 (note 1 (b)).

(iii) CGU's determination for the purpose of impairment tests

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting network infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statements of income.

(iv) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is therefore required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(v) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

(y) Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2015	2014
Services rendered	**$ 3,504.2**	$ 3,245.5
Product sales	**375.3**	362.2
	$ 3,879.5	$ 3,607.7

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

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2015	2014
Employee costs	**$ 874.0**	$ 805.6
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(176.6)**	(157.0)
	697.4	648.6
Purchase of goods and services:		
Royalties, rights and creation costs	**729.3**	662.2
Cost of products sold	**306.7**	252.2
Service contracts	**159.7**	151.4
Marketing, circulation and distribution expenses	**97.5**	81.3
Building expenses	**78.8**	65.5
Other	**369.4**	336.7
	1,741.4	1,549.3
	$ 2,438.8	$ 2,197.9

4. FINANCIAL EXPENSES

	2015	2014
Interest on long-term debt and on debentures	**$ 311.6**	$ 338.9
Amortization of financing costs and long-term debt discount	**7.1**	8.7
Interest on net defined benefit liability	**5.9**	5.1
Loss on foreign currency translation on short-term monetary items	**6.4**	4.0
Other	**4.0**	(6.4)
	$ 335.0	$ 350.3

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

	2015	2014
Loss on embedded derivatives related to long-term debt and derivative financial instruments for which hedge accounting is not used	**$ 6.2**	$ 7.9
(Gain) loss on embedded derivatives related to convertible debentures	**(10.5)**	91.6
Gain on reversal of embedded derivatives on debt redemption	**(0.4)**	(1.1)
Loss (gain) on the ineffective portion of cash flow hedges	**1.6**	(0.5)
Gain on the ineffective portion of fair value hedges	**(3.6)**	(3.2)
	$ (6.7)	$ 94.7

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

6. (GAIN) LOSS ON LITIGATION, RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

	2015	2014
(Gain) loss on litigation	**$ (138.1)**	$ 34.3
Restructuring of operations	**19.2**	9.0
Other items	**2.0**	6.3
	$ (116.9)	$ 49.6

(Gain) loss on litigation

On March 6, 2015, the Court of Appeal of Quebec ruled in favour of Videotron and TVA Group Inc. (“TVA Group”), and ordered Bell ExpressVu Limited Partnership (“Bell ExpressVu”), a subsidiary of Bell Canada, to pay Videotron $135.3 million and TVA Group $0.6 million, including interest, for negligence in failing to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada rejected Bell ExpressVu’s application for leave to appeal the judgment. The related $139.1 million gain was recorded in 2015.

In 2014, a charge of $34.3 million, including interest, was accounted for as a result of an unfavorable judgment against Videotron in a legal action. Videotron is currently appealing this judgment. $1.0 million in interest relating to this litigation was recorded in 2015.

Restructuring of operations and other items

In 2015, the Telecommunications segment recorded a charge for restructuring costs of $8.8 million, mainly related to the migration of its subscribers from analog to digital services ($1.8 million in 2014), and a charge for other items of $0.3 million ($3.4 million in 2014).

The Media segment has implemented various restructuring initiatives to reduce operating costs and, as a result, restructuring costs of $9.8 million, mainly for the reduction of positions, were recorded in 2015 ($6.5 million in 2014). In 2015, the Media segment also recorded a charge for other items of $0.7 million, mainly related to business acquisitions ($2.7 million in 2014).

In 2015, other segments recorded a charge for restructuring costs of $0.6 million ($0.7 million in 2014), and a charge for other items of $1.0 million ($0.2 million in 2014).

7. IMPAIRMENT OF GOODWILL AND OTHER ASSETS

	2015	2014
Impairment of goodwill	**$ 85.0**	$ 39.3
Impairment of property, plant and equipment	**76.5**	–
Impairment of intangible assets	**69.2**	41.7
	$ 230.7	$ 81.0

7. IMPAIRMENT OF GOODWILL AND OTHER ASSETS (continued)

2015

In 2015, the Corporation performed impairment tests on its CGUs and concluded that the recoverable amounts of its Newspapers and Broadcasting CGUs were less than their carrying values. The recoverable amounts of these CGUs were negatively impacted by the decrease in newspaper and commercial printing volumes at the Mirabel printing plant, plus the continuing pressure on advertising revenues in the newspaper and television industries. Accordingly, a goodwill impairment charge of $85.0 million (without any tax consequence) and an impairment charge on other assets of $81.9 million, mainly related to Mirabel printing plant assets, were recorded for the Newspapers CGU. An impairment charge of $60.1 million on the TVA Network's broadcasting licence (including $30.1 million without any tax consequence) was recorded for the Broadcasting CGU.

An impairment charge on intangible assets of $3.7 million was also recorded in 2015 in other segments.

2014

In 2014, the Corporation performed impairment tests on its CGUs and concluded that the recoverable amounts of its Newspapers and Broadcasting CGUs were less than their carrying values. The recoverable amounts of these CGUs were negatively impacted by the digital transformation and weak market conditions in the newspaper and broadcasting industries. The Corporation recorded a goodwill impairment charge of $190.0 million for the Newspapers CGU (without any tax consequence), of which $160.0 million is presented as part of discontinued operations. An impairment charge of $41.7 million on the TVA Network's broadcasting licence (including $20.9 million without any tax consequence) and a goodwill impairment charge of $9.3 million (including $3.9 million without any tax consequence) were recorded for the Broadcasting CGU.

8. LOSS ON DEBT REFINANCING

2015

- On April 10, 2015, Videotron redeemed all of its issued and outstanding 6.375% Senior Notes due December 15, 2015, in aggregate principal amount of US$175.0 million, and the related hedging contracts were unwound for a total cash consideration of $204.5 million.
- On July 16, 2015, Videotron redeemed all of its issued and outstanding 9.125% Senior Notes due April 15, 2018, in aggregate principal amount of US$75.0 million, and the related hedging contracts were unwound for a total cash consideration of $75.9 million.
- On July 16, 2015, Videotron redeemed all of its issued and outstanding 7.125% Senior Notes due January 15, 2020, in aggregate principal amount of $300.0 million, for a total cash consideration of $310.7 million.

These transactions resulted in a total loss of $12.1 million in 2015, net of a gain of $3.9 million previously reported in other comprehensive income.

2014

- In April 2014, Quebecor Media redeemed all of its issued and outstanding 7.75% Senior Notes due March 2016, in aggregate principal amount of US$380.0 million and settled its related hedging contracts for a total cash consideration of $367.8 million.
- In April 2014, Videotron redeemed US$260.0 million in aggregate principal amount of its issued and outstanding 9.125% Senior Notes due April 2018 for a total cash consideration of $295.4 million.

These transactions resulted in a total loss of $18.7 million in 2014, net of a gain of $10.8 million previously reported in other comprehensive income.

QUEBECOR INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2015 and 2014 and income taxes in the consolidated statements of income:

	2015	2014
Income taxes at domestic statutory tax rate	**$ 78.8**	$ 41.5
(Reduction) increase resulting from:		
Effect of provincial tax rate differences	**–**	(0.8)
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**10.1**	42.4
Change in benefit arising from the recognition of current and prior year tax losses	**(1.3)**	2.2
Non-deductible impairment of goodwill	**22.9**	9.0
Other[1]	**(17.4)**	2.9
Income taxes	**$ 93.1**	$ 97.2

[1] Includes in 2015 a decrease of $16.1 million in income tax liability resulting from recent developments in tax audit matters, jurisprudence and tax legislation.

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

	Consolidated balance sheets		Consolidated income statements	
	2015	2014	**2015**	2014
Loss carryforwards	**$ 105.6**	$ 102.7	**$ (2.9)**	$ 1.0
Accounts payable, accrued charges, provisions and deferred revenue	**14.6**	7.3	**(7.7)**	4.1
Defined benefit plans	**42.8**	36.6	**1.5**	4.9
Property, plant and equipment	**(397.6)**	(444.8)	**(27.0)**	4.6
Goodwill, intangible assets and other assets	**(93.0)**	(75.6)	**29.4**	(13.2)
Long-term debt, derivative financial instruments and exchangeable debentures	**(178.3)**	(122.0)	**14.3**	5.6
Benefits from a general partnership	**(67.6)**	(56.5)	**11.1**	(30.9)
Other	**(10.7)**	(2.8)	**8.7**	–
	$ (584.2)	$ (555.1)	**$ 27.4**	$ (23.9)

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

9. INCOME TAXES (continued)

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

	Note		**2015**		2014
Balance at beginning of year		**$**	**(555.1)**	$	(570.5)
Recognized in income as continuing operations			**(29.7)**		24.7
Recognized in income as discontinued operations	10		**2.3**		0.1
Recognized in other comprehensive income as continuing operations			**(34.3)**		(8.6)
Recognized in other comprehensive income as discontinued operations	10		**–**		2.0
Business acquisitions and disposals	10, 12		**31.8**		(2.4)
Other			**0.8**		(0.4)
Balance at end of year		**$**	**(584.2)**	$	(555.1)
Deferred income tax asset		**$**	**29.5**	$	7.8
Deferred income tax liability			**(613.7)**		(528.8)
Deferred income tax liability included in liabilities held for sale			**–**		(34.1)
		$	**(584.2)**	$	(555.1)

As of December 31, 2015, the Corporation had loss carryforwards for income tax purposes of $60.2 million available to reduce future taxable income, including $47.7 million that will expire between 2031 and 2035, and $12.5 million that can be carried forward indefinitely. Of these losses, an amount of $12.5 million has not been recognized. The Corporation also had capital losses of $1,102.7 million that can be carried forward indefinitely and applied only against future capital gains, of which $259.9 million were not recognized.

There are no income tax consequences attached to the payment of dividends in 2015 or 2014 by the Corporation to its shareholders.

10. DISCONTINUED OPERATIONS

<u>2015</u>

- In February 2015, the Corporation closed its specialty channel, SUN News.
- On April 13, 2015, the Corporation completed the sale, initially announced on October 6, 2014, of all of its English-language newspaper operations in Canada, consisting of more than 170 newspapers and publications, the Canoe English-language portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration consisting of $305.5 million, less cash disposed of $1.9 million. An amount of $1.3 million was also paid as an adjustment related to working capital items.
- On September 27, 2015, the Corporation completed the sale of Archambault Group Inc.'s retail operations, consisting of the 14 Archambault stores, the *archambault.ca* website, and the English-language Paragraphe Bookstore, for a cash consideration consisting of $14.5 million, less cash disposed of $1.1 million, and a balance receivable of $3.0 million.

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

10. DISCONTINUED OPERATIONS (continued)

2014

- In January 2014, the Corporation ceased its door-to-door distribution of flyers and weekly newspapers in the Province of Québec.
- On June 1, 2014, the Corporation sold its 74 Québec weeklies for a cash consideration of $75.0 million and a net amount of $4.0 million relating to adjustments of working capital items. The Corporation received $78.4 million in 2014 and a final balance of $0.6 million in 2015.
- On September 2, 2014, the Corporation sold its Nurun Inc. subsidiary for a cash consideration consisting of $125.0 million, less cash disposed of $18.1 million. An amount of $8.2 million was also received relating to certain transaction adjustments.

The results of operations and cash flows related to those businesses were reclassified as discontinued operations in the consolidated statements of income, comprehensive income and cash flows as follows:

Consolidated statements of income and comprehensive income

	2015	2014
Revenues	**$ 194.1**	$ 723.2
Employee costs	**54.3**	264.2
Purchase of goods and services	**133.2**	375.3
Depreciation and amortization	**2.0**	31.0
Financial expenses	**0.2**	1.2
Restructuring of operations and other items	**23.9**	13.3
Impairment of goodwill and other assets	**–**	160.0
Loss before income taxes	**(19.5)**	(121.8)
Current income taxes	**(1.1)**	9.4
Deferred income taxes	**(2.3)**	(0.1)
(Loss) gain on disposal of businesses	**(3.6)**	49.5
Loss from discontinued operations	**(19.7)**	(81.6)
Other comprehensive loss:		
Loss on translation of net investments in foreign operations	**–**	(1.7)
Defined benefit plans:		
Re-measurement loss	**–**	(7.9)
Deferred income taxes	**–**	2.0
	–	(7.6)
Comprehensive loss from discontinued operations	**$ (19.7)**	$ (89.2)

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. DISCONTINUED OPERATIONS (continued)

Consolidated statements of cash flows

	2015	2014
Cash flows related to operating activities	**$ (21.3)**	$ 71.2
Cash flows related to investing activities	**(1.2)**	0.7
Cash flows (used in) provided by discontinued operations	**$ (22.5)**	$ 71.9

Components of assets and liabilities classified as held for sale in the consolidated balance sheet as of December 31, 2014 are as follows:

Current assets	$ 70.6
Property, plant and equipment	171.4
Intangible assets	26.1
Goodwill	130.0
Assets held for sale	398.1
Current liabilities	(61.0)
Long-term liabilities	(36.9)
Liabilities held for sale	(97.9)
Net assets held for sale	$ 300.2

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2015	2014
Income from continuing operations attributable to shareholders	**$ 165.6**	$ 29.0
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**4.2**	(0.3)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 169.8**	$ 28.7
Net income (loss) attributable to shareholders	**$ 151.8**	$ (30.1)
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**4.2**	(0.3)
Net income (loss) attributable to shareholders, adjusted for dilution effect	**$ 156.0**	$ (30.4)
Weighted average number of shares outstanding (in millions)	**122.7**	123.0
Potentially dilutive effect of stock options and of convertible debentures of the Corporation	**21.0**	–
Weighted average number of diluted shares outstanding (in millions)	**143.7**	123.0

For the year ended December 31, 2015 and 2014, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation and of the Corporation's subsidiaries since their impact is anti-dilutive. During the year ended December 31, 2015, no option of the Corporation's plan (90,000 in 2014), 364,500 options of the Quebecor Media's plan (none in 2014), and 463,371 options of TVA Group's plan (525,368 in 2014) were excluded from the diluted earnings per share calculation since their impact is anti-dilutive.

For the year ended December 31, 2014, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

2015

- On March 20, 2015, TVA Group completed a rights offering, whereby TVA Group received aggregate gross proceeds of $110.0 million from the issuance of 19,434,629 Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group"). Under the rights offering, Quebecor Media has subscribed to 17,300,259 Class B Non-Voting Shares of TVA Group at a total cost of $97.9 million; accordingly, its aggregate equity interest in TVA Group increased from 51.5% to 68.4%. The increase of Quebecor Media's interest in TVA Group was accounted for as an equity transaction and resulted in an increase of retained earnings of $14.1 million and in an equivalent decrease of non-controlling interests.
- On September 9, 2015, Quebecor Media repurchased 7,268,324 of its Common Shares held by CDP Capital d'Amérique Investissement inc., a subsidiary of Caisse de dépôt et placement du Québec, for an aggregate purchase price of $500.0 million paid in cash. This transaction resulted in an increase of the Corporation interest in Quebecor Media from 75.4% to 81.1% and was accounted for as an equity transaction. Accordingly, the excess of $301.4 million of the purchase price over the carrying value of non-controlling interests of $198.6 million acquired was recorded as a $294.1 million reduction of retained earnings and as a $7.3 million increase of accumulated other comprehensive loss.
- Other non-controlling interests acquisitions were made in 2015 resulting in a decrease of retained earnings of $1.7 million and in an equivalent increase of non-controlling interests.

(b) Business acquisitions

2015

- On March 11, 2015, the Telecommunications segment acquired 4Degrees Colocation Inc. ("4Degrees Colocation") and its data center, the largest in Québec City, for a purchase price of $35.5 million in cash. An amount of $0.2 million was received in June 2015 as an adjustment related to working capital items. The acquisition enables Videotron to meet its business customers' growing technological and hosting needs. Goodwill arising from this acquisition mainly reflects 4Degrees Colocation's expertise and future growth potential.
- On April 12, 2015, TVA Group acquired 14 magazines, including some magazines that will be owned and operated in partnership, for a purchase price of $55.5 million in cash and a post-closing adjustment of $0.8 million, paid in the fourth quarter of 2015. The transaction is in line with the strategy of investing in the production and distribution of high-quality, rich, diverse entertainment and news media content. Goodwill arising from this acquisition mainly reflects content quality and anticipated synergies.
- In 2015, the Corporation also acquired other businesses, such as Marathon de Québec, included in the Sports and Entertainment segment.

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

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS (continued)

(b) Business acquisitions (continued)

2014

- In December 2014, the Media segment acquired, through TVA Group, substantially all of the assets (including assuming certain operational liabilities) of Global Vision A.R. Ltd. – now operated by Mels Studios and Postproduction G.P. (“MELS”) – for a purchase price of $116.1 million in cash and a post-closing adjustment of $1.2 million paid in 2015. MELS operates in the film and television industry by offering studio, soundstage and equipment leasing and post-production services. The assets acquired include Mel’s La Cité du Cinéma in Montréal and Studio Melrose in Saint-Hubert, which facilities are used for both local and foreign film and television production, including American blockbusters. The purpose of this acquisition was to invest in sectors that are a good fit with the Media segment’s activities, with the effect of diversifying segment revenues. Goodwill arising from this acquisition reflects the reputation of the workforce, future growth potential and expected synergies.
- In 2014, the Corporation also acquired other businesses, such as the Remparts de Québec, a hockey team in the QMJHL, included in the Sports and Entertainment segment.

The purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2015 and 2014 is summarized as follows:

	2015	2014
Assets acquired		
Non-cash current assets	**$ 20.1**	$ 9.6
Property, plant and equipment	**13.9**	96.4
Intangible assets	**32.0**	17.1
Goodwill	**48.8**	18.0
Other assets	**2.1**	–
	116.9	141.1
Liabilities assumed		
Non-cash current liabilities	**(21.2)**	(7.0)
Deferred income taxes	**(0.2)**	–
Other long-term liabilities	**–**	(1.3)
	(21.4)	(8.3)
Net assets acquired at fair value	**95.5**	132.8
Non-controlling interests	**(0.8)**	–
	$ 94.7	$ 132.8
Consideration		
Cash	**$ 94.5**	$ 132.3
Balance payable	**0.2**	0.5
	$ 94.7	$ 132.8

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS (continued)

(b) Business acquisitions (continued)

The pro forma revenues and net income in 2015 would not have been significantly different than the actual figures if all business acquisitions had occurred at the beginning of the year.

The amount of goodwill that is deductible for tax purposes is $7.6 million in 2015 ($18.0 million in 2014).

13. ACCOUNTS RECEIVABLE

	Note	**2015**	2014
Trade	29(c)	**$ 433.0**	$ 397.8
Other		**61.1**	51.6
		$ 494.1	$ 449.4

14. INVENTORIES

	2015	2014
Raw materials and supplies	**$ 22.6**	$ 21.0
Finished goods	**112.9**	115.7
Programs, broadcast and distribution rights	**77.9**	73.3
Work in progress	**2.1**	2.2
	$ 215.5	$ 212.2

Cost of inventories included in purchase of goods and services amounted to $680.0 million in 2015 ($611.8 million in 2014). Write-downs of inventories totalling $5.8 million were recognized in purchase of goods and services in 2015 ($4.3 million in 2014).

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2015 and 2014, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Cost					
Balance as of December 31, 2013	$ 571.7	$ 1,427.4	$ 4,554.9	$ 46.0	$ 6,600.0
Additions	34.9	170.1	289.1	149.9	644.0
Net change in additions financed with accounts payable	–	1.7	(1.2)	(0.3)	0.2
Business acquisitions (note 12)	61.3	35.1	–	–	96.4
Reclassification	0.5	34.3	119.1	(153.9)	–
Reclassification to assets held for sale	(118.0)	(191.8)	–	(1.9)	(311.7)
Retirement, disposals and other[1]	(18.5)	(79.2)	(80.8)	(2.1)	(180.6)
Balance as of December 31, 2014	531.9	1,397.6	4,881.1	37.7	6,848.3
Additions	36.8	180.9	295.0	165.9	678.6
Net change in additions financed with accounts payable	–	2.1	(0.4)	(21.8)	(20.1)
Business acquisitions (note 12)	12.6	1.3	–	–	13.9
Reclassification	–	5.0	98.0	(103.0)	–
Retirement, disposals and other[1]	(14.5)	(65.1)	(79.9)	(4.2)	(163.7)
Balance as of December 31, 2015	**$ 566.8**	**$ 1,521.8**	**$ 5,193.8**	**$ 74.6**	**$ 7,357.0**

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2013	$ 206.5	$ 687.5	$ 2,273.6	$ –	$ 3,167.6
Depreciation	18.6	184.0	333.2	–	535.8
Reclassification to assets held for sale	(32.9)	(107.4)	–	–	(140.3)
Retirement, disposals and other[1]	(9.6)	(55.7)	(79.9)	–	(145.2)
Balance as of December 31, 2014	182.6	708.4	2,526.9	–	3,417.9
Depreciation	17.2	220.1	357.9	–	595.2
Impairment (note 7)	19.3	57.2	–	–	76.5
Retirement, disposals and other[1]	(12.3)	(55.2)	(90.0)	–	(157.5)
As of December 31, 2015	**$ 206.8**	**$ 930.5**	**$ 2,794.8**	**$ –**	**$ 3,932.1**
Net carrying amount					
As of December 31, 2014	$ 349.3	$ 689.2	$ 2,354.2	$ 37.7	$ 3,430.4
As of December 31, 2015	**$ 360.0**	**$ 591.3**	**$ 2,399.0**	**$ 74.6**	**$ 3,424.9**

[1] Also includes the net change in assets related to discontinued operations.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS

For the years ended December 31, 2015 and 2014, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences [1, 2, 3]	Software	Customer relation-ships, naming rights and other	Broad-casting licences	Mastheads and sport franchises	Projects under develop-ment	Total
Cost							
Balance as of December 31, 2013	$ 570.5	$ 582.8	204.2	$ 103.0	$ 108.0	$ 15.8	$ 1,584.3
Additions	217.4	66.7	4.0	–	–	29.2	317.3
Net change in additions financed with accounts payable	–	(0.8)	–	–	–	(1.8)	(2.6)
Business acquisitions (note 12)	–	1.1	12.0	–	4.0	–	17.1
Reclassification	–	34.0	–	–	–	(34.0)	–
Reclassification to assets held for sale	–	(37.2)	(110.9)	–	(103.3)	(1.9)	(253.3)
Retirement, disposals and other [4]	–	(22.3)	(15.5)	–	–	0.1	(37.7)
Balance as of December 31, 2014	787.9	624.3	93.8	103.0	8.7	7.4	1,625.1
Additions	219.0	64.0	37.1	–	–	40.5	360.6
Net change in additions financed with accounts payable	–	15.2	–	–	–	(7.8)	7.4
Business acquisitions (note 12)	–	2.2	21.4	–	8.4	–	32.0
Reclassification	–	10.5	–	–	–	(10.5)	–
Retirement, disposals and other [4]	–	(3.6)	(2.1)	–	–	(0.1)	(5.8)
Balance as of December 31, 2015	**$ 1,006.9**	**$ 712.6**	**$ 150.2**	**$ 103.0**	**$ 17.1**	**$ 29.5**	**$ 2,019.3**

QUEBECOR INC. AND ITS SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relation-ships, naming rights and other	Broad-casting licences	Mastheads and sport franchises	Projects under develop-ment	Total
Accumulated amortization and impairment losses							
Balance as of December 31, 2013	$ 178.1	$ 310.5	$ 177.4	$ 0.8	$ 92.7	$ –	$ 759.5
Amortization	55.7	64.0	5.6	–	–	–	125.3
Impairment (note 7)	–	–	–	41.7	–	–	41.7
Reclassification to assets held for sale	–	(28.0)	(106.5)	–	(92.7)	–	(227.2)
Retirement, disposals and other [4]	–	(14.7)	(5.3)	–	–	–	(20.0)
Balance as of December 31, 2014	233.8	331.8	71.2	42.5	–	–	679.3
Amortization	13.9	75.1	9.4	–	–	–	98.4
Impairment (note 7)	–	5.4	3.7	60.1	–	–	69.2
Retirement, disposals and other [4]	–	(4.1)	(1.5)	–	–	–	(5.6)
Balance as of December 31, 2015	**$ 247.7**	**$ 408.2**	**$ 82.8**	**$ 102.6**	**$ –**	**$ –**	**$ 841.3**
Net carrying amount							
As of December 31, 2014	$ 554.1	$ 292.5	$ 22.6	$ 60.5	$ 8.7	$ 7.4	$ 945.8
As of December 31, 2015	**$ 759.2**	**$ 304.4**	**$ 67.4**	**$ 0.4**	**$ 17.1**	**$ 29.5**	**$ 1,178.0**

[1] Videotron holds an option to sell its unused AWS spectrum licence in the Toronto area to Rogers Communications Partnership for a price of $180.0 million. The spectrum licence was purchased at a cost of $96.4 million in 2008.

[2] In 2014, Videotron acquired seven 700 MHz spectrum licences, covering the entirety of the provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia, for a total price of $233.3 million, for which Videotron made a cash deposit of $15.9 million in 2013 and paid the balance in 2014.

[3] In 2015, Videotron acquired four AWS-3 spectrum licences, covering the Province of Québec and the Ottawa region, and eighteen 2500 MHz spectrum licences, covering the Province of Québec, the Ottawa region, the cities of Toronto, Vancouver, Calgary and Edmonton, for a total price of $219.0 million.

[4] Also includes the net change in assets related to discontinued operations.

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

16. INTANGIBLE ASSETS (continued)

The cost of internally generated intangible assets, mainly composed of software, was $448.5 million as of December 31, 2015 ($415.8 million as of December 31, 2014). For the year ended December 31, 2015, the Corporation recorded additions of internally generated intangible assets of $36.3 million ($62.0 million in 2014).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $245.8 million as of December 31, 2015 ($209.8 million as of December 31, 2014). For the year ended December 31, 2015, the Corporation recorded $39.2 million in amortization on its internally generated intangible assets ($44.8 million in 2014). The net carrying value of internally generated intangible assets was $202.7 million as of December 31, 2015 ($206.0 million as of December 31, 2014).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, mastheads are allocated to the Newspapers and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

17. GOODWILL

For the years ended December 31, 2015 and 2014, changes in the net carrying amount of goodwill are as follows:

	2015	2014
Cost		
Balance at beginning of year	**$ 5,584.3**	$ 6,862.9
Business acquisitions (note 12)	**48.8**	18.0
Business disposals	**(32.0)**	(93.9)
Reclassification to assets held for sale	**–**	(1,203.0)
Other	**–**	0.3
Balance at end of year	**5,601.1**	5,584.3
Accumulated amortization and impairment losses		
Balance at beginning of year	**2,869.7**	3,801.4
Impairment loss (note 7)	**85.0**	199.3
Business disposals	**(32.0)**	(58.0)
Reclassification to assets held for sale	**–**	(1,073.0)
Balance at end of year	**2,922.7**	2,869.7
Net carrying amount	**$ 2,678.4**	$ 2,714.6

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

17. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2015 and 2014 was allocated to the following significant CGU groups:

	2015	2014
CGU groups		
Telecommunications	**$ 2,589.9**	$ 2,570.3
Newspapers	**–**	85.0
Magazines	**70.0**	35.8
Other[1]	**18.5**	23.5
Total	**$ 2,678.4**	$ 2,714.6

[1] Includes the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

Recoverable amounts

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

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL (continued)

Recoverable amounts (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

	2015		2014	
CGU groups	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications[1]	**9.0 %**	**2.5 %**	9.0 %	2.5 %
Newspapers[2]	**–**	**–**	11.5	0.0
Magazines[3]	**16.0**	**0.0**	16.0	1.0
Other[3]	**11.0 to 16.0**	**0.0 to 2.0**	11.0 to 16.0	1.0

1 As allowed by IAS 36, *Impairment of assets*, the recoverable amount calculated in the 2014 annual impairment test was used in the test performed in 2015 for this CGU. Accordingly, pre-tax discount rates and perpetual growth rates are the same in 2015 and 2014. The recoverable amount of this CGU was based on value in use, using the discounted cash flow method.

2 In 2015, the recoverable amount of the Newspapers CGU was based a fair value less costs of disposal. More specifically, the fair value of the CGU was based on the individual assets which were estimated using external valuation reports, comparable transaction metrics, and other financial information available. These fair values are classified as Level 3 in the fair value hierarchy described in note 29(b). In 2014, the recoverable amounts of the Newspapers CGU was based on a fair value less costs of disposal, using a discounted cash flow method, except for the English newspapers' activities, for which the fair value was based on the metrics of the sale transaction announced in 2014 (note 10).

3 In 2015 and 2014, the recoverable amounts of these CGUs were based on value in use, using the discounted cash flow method.

Sensitivity of recoverable amounts

The following table presents, for the Corporation's significant CGU groups, the change in the discount rate or in the perpetual growth rate used in the tests performed that would have been required for the recoverable amount to equal the carrying value of the CGU as of the most recent impairment tests in 2015:

CGU groups[1]	**Incremental increase in pre-tax discount rate (WACC)**	**Incremental decrease in perpetual growth rate**
Telecommunications[2]	5.0 %	5.0 %
Magazines	2.0	1.5

1 No sensitivity tests were performed for CGUs on which impairment charges were recorded in the latest impairment tests.

2 Since the recoverable amount calculated in the 2014 annual impairment test was used in the test performed in 2015 for this CGU, sensitivity tests are the same as those disclosed in 2014.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. OTHER ASSETS

	Note	**2015**	2014
Programs, broadcast and distribution rights		**$ 36.3**	$ 32.0
Deferred connection costs		**18.2**	24.3
Defined benefit plans	31	**–**	3.3
Other		**35.4**	19.7
		$ 89.9	$ 79.3

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2015	2014
Trade and accruals	**$ 470.9**	$ 467.9
Salaries and employee benefits	**126.8**	125.3
Interest payable	**46.4**	41.9
Stock-based compensation	**10.8**	15.1
	$ 654.9	$ 650.2

20. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	**Contingencies, legal disputes and other**	**Total**
Balance as of December 31, 2014	$ 5.3	$ 56.1	$ 61.4
Recognized in income as continuing operations	19.2	17.0	36.2
Recognized in income as discontinued operations	9.2	–	9.2
Payments	(29.4)	(5.1)	(34.5)
Other	–	10.1	10.1
Balance as of December 31, 2015	**$ 4.3**	**$ 78.1**	**$ 82.4**
Current portion	**$ 4.3**	**$ 62.8**	**$ 67.1**
Non-current portion	**–**	**15.3**	**15.3**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions in the Media segment.

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

20. PROVISIONS AND CONTINGENCIES (continued)

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

Other

Other provisions are principally related to decommissioning obligations.

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2015	2015	2014
Quebecor			
Bank credit facility (i)	3.85 %	$ **24.0**	$ 43.8
Other loan (ii)	3.54 %	**31.9**	32.9
		55.9	76.7
Quebecor Media (iii)			
Bank credit facilities (iv)	3.26 %	**474.0**	400.0
Other credit facility (v)		**–**	10.6
Senior Notes (vi)	(vi)	**2,001.8**	1,813.0
		2,475.8	2,223.6
Videotron (iii)			
Bank credit facilities (vii)	2.32 %	**273.5**	37.5
Senior Notes (vi) (note 8)	(vi)	**3,012.6**	2,913.5
		3,286.1	2,951.0
TVA Group (iii)			
Bank credit facilities (viii)	2.34 %	**73.8**	74.8
Other		**0.9**	0.6
Total long-term debt		**5,892.5**	5,326.7
Change in fair value related to hedged interest rate risk		**11.4**	8.2
Adjustments related to embedded derivatives		**0.6**	(5.2)
Financing fees, net of amortization		**(48.1)**	(51.4)
		(36.1)	(48.4)
		5,856.4	5,278.3
Less current portion		**(44.0)**	(230.1)
		$ **5,812.4**	$ 5,048.2

21. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2016 in an amount of $150.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in August 2017. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facilities of Quebecor Media are comprised of a US$350.0 million secured term loan "B" facility bearing interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a premium of 2.50% and a $300.0 million secured revolving credit facility, bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio, and maturing in January 2017. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2015, the credit facilities of Quebecor Media were secured by assets with a carrying value of $3,326.5 million ($3,177.3 million in 2014). As of December 31, 2015, $2.0 million had been drawn on the revolving credit facility (no amount was drawn in 2014), and the balance of the term loan "B" is $472.0 million ($400.0 million in 2014).

(v) The other credit facility matured in July 2015 and was not renewed.

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

21. LONG-TERM DEBT (continued)

(vi) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2015:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
$ 325.0	7.375 %	7.375 %	January 15, 2021	June and December 15
US$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
$ 300.0	6.875 %	6.875 %	July 15, 2021	June and December 15
US$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US$ 600.0[1]	5.375 %	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	5.625 %	June 15, 2025	April and October 15
$ 375.0[2]	5.750 %	5.750 %	January 15, 2026	March and September 15

1 The Notes were issued in April 2014 for net proceeds of $654.5 million, net of financing fees of $7.8 million.

2 The Notes were issued in September 2015 for net proceeds of $370.1 million, net of financing fees of $4.9 million.

(vii) The bank credit facilities provide for a $615.0 million secured revolving credit facility that matures in July 2020, a $350.0 million unsecured revolving credit facility that matures in July 2020 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facilities bear interest at Bankers' acceptance rate, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The secured bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2015, the secured bank credit facilities were secured by assets with a carrying value of $7,646.3 million ($6,238.3 million in 2014). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2015, $246.7 million had been drawn on the secured revolving credit facilities (no amount was drawn in 2014), $26.8 million was outstanding on the export financing facility ($37.5 million in 2014), and no amount was drawn on the unsecured revolving credit facility.

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

21. LONG-TERM DEBT (continued)

(viii) The bank credit facilities of TVA Group comprise a secured revolving credit facility in the amount of $150.0 million, maturing in February 2019, and a secured term loan in the amount of $75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2015 and 2014, no amount had been drawn on the revolving credit facility, and as of December 31, 2015, $73.8 million was outstanding on the term loan ($74.8 million in 2014).

On December 31, 2015, the Corporation and its subsidiaries were in compliance with all debt covenants.

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

2016	$	44.0
2017		53.9
2018		19.2
2019		56.8
2020		704.2
2021 and thereafter		5,014.4

22. OTHER LIABILITIES

	Note		**2015**		2014
Defined benefit plans	31	**$**	**158.9**	$	136.8
Embedded derivatives related to convertible debentures	25		**221.7**		232.2
Deferred revenue			**18.9**		25.7
Stock-based compensation[1]	24		**18.9**		14.4
Other[2]			**29.8**		17.7
		$	**448.2**	$	426.8

[1] The current $10.8 million portion of stock-based compensation is included in accounts payable and accrued charges ($15.1 million in 2014) (note 19).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2015 and 2014 and a combined carrying value of $2.1 million as of December 31, 2015 and 2014. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2013	39,024,672	$ 8.7	84,306,792	$ 320.2
Class A Shares converted into Class B Shares	(51,500)	–	51,500	–
Shares purchased and cancelled	–	–	(455,000)	(1.7)
Balance as of December 31, 2014	38,973,172	8.7	83,903,292	318.5
Class A Shares converted into Class B Shares	(46,800)	–	46,800	–
Shares purchased and cancelled	–	–	(413,300)	(1.6)
Balance as of December 31, 2015	**38,926,372**	**$ 8.7**	**83,536,792**	**$ 316.9**

On July 30, 2015, the Corporation filed a normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2015, the Corporation purchased and cancelled 413,300 Class B Shares for a total cash consideration of $12.4 million (455,000 Class B Shares for a total cash consideration of $11.7 million in 2014). The excess of $10.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2015 ($10.0 million in 2014).

On March 8, 2016, the Board of Directors of the Corporation declared a dividend of $0.035 per share on Class A Shares and Class B Shares, or approximately $4.3 million, payable on April 19, 2016 to shareholders of record at the close of business on March 25, 2016.

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

24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 13,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation and its subsidiaries. The exercise price of each option is equal to the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2015 and 2014:

		2015		2014
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,310,000**	**$ 25.36**	2,369,182	$ 21.13
Granted	**–**	**–**	1,010,000	26.30
Exercised	**–**	**–**	(527,208)	18.83
Cancelled	**–**	**–**	(1,541,974)	21.71
Balance at end of year	**1,310,000**	**$ 25.36**	1,310,000	$ 25.36
Vested options at end of year	**100,000**	**$ 22.23**	–	$ –

During the year ended December 31, 2014, 527,208 stock options of the Corporation were exercised for a cash consideration of $4.2 million.

The following table gives summary information on outstanding options as of December 31, 2015:

			Outstanding options		**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$22.23 to 30.24	**1,310,000**	**8.18**	**$ 25.36**	**100,000**	**$ 22.23**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Corporation Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2015 and 2014:

		2015		2014
	Units	**Weighted average exercise price**	Units	Weighted average exercise price
Balance at beginning of year	**803,517**	**$ 26.22**	2,263,516	$ 19.92
Granted	**672,829**	**31.62**	1,388,447	26.47
Exercised	**–**	**–**	(480,148)	18.76
Cancelled	**–**	**–**	(2,368,298)	21.86
Balance at end of year	**1,476,346**	**$ 28.68**	803,517	$ 26.22

During the year ended December 31, 2014, a cash consideration of $3.7 million was paid upon the exercise of 480,148 units.

(iii) Deferred stock unit plan

The Quebecor deferred stock unit ("DSU") plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation's Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation's Class B Shares on the date of redemption. As of December 31, 2015 and 2014, the total number of DSUs outstanding under this plan was 170,982 and 160,338, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media and its subsidiaries. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Compensation Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Compensation Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2015 and 2014:

	2015		2014	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,631,959**	**$ 55.15**	1,647,309	$ 52.67
Granted	**369,500**	**70.56**	271,000	63.96
Exercised	**(480,165)**	**50.35**	(218,750)	46.28
Cancelled	**(38,800)**	**59.01**	(67,600)	58.85
Balance at end of year	**1,482,494**	**$ 60.44**	1,631,959	$ 55.15
Vested options at end of year	**244,261**	**$ 51.44**	263,823	$ 46.74

During the year ended December 31, 2015, 480,165 of the Quebecor Media's stock options were exercised for a cash consideration of $9.5 million (218,750 stock options for $3.6 million in 2014).

The following table gives summary information on outstanding options as of December 31, 2015:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$37.91 to 53.40	181,083	4.58	$ 47.12	129,283	$ 45.35
$57.35 to 70.56	1,301,411	8.17	62.30	114,978	58.28
$37.91 to 70.56	**1,482,494**	**7.73**	**$ 60.44**	**244,261**	**$ 51.44**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 Class B Non-Voting Shares of TVA Group have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of Class B Shares on the Toronto Stock Exchange the day before the option is granted. Options granted prior to January 2006 usually vest equally over a four-year period, with the first 25% vesting on the second anniversary date of the date of grant. Beginning January 2006, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the Class B Non-Voting Shares of TVA Group and the exercise price of the option or, subject to certain conditions, exercise their options to purchase Class B Non-Voting Shares of TVA Group at the exercise price. The market value is defined as the average closing market price of the Class B Non-Voting Shares of TVA Group for the last five trading days preceding the date on which the option was exercised.

The following table gives details on changes to outstanding options for the years ended December 31, 2015 and 2014:

		2015		2014
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**525,368**	**$ 15.25**	691,076	$ 16.54
Granted	**80,000**	**6.85**	30,000	8.90
Cancelled	**(82,366)**	**13.68**	(69,208)	15.32
Expired	**(59,631)**	**21.28**	(126,500)	20.75
Balance at end of year	**463,371**	**$ 13.30**	525,368	$ 15.25
Vested options at end of year	**369,371**	**$ 14.81**	495,368	$ 15.63

The following table gives summary information on outstanding options as of December 31, 2015:

		Outstanding options			**Vested options**
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$6.85 to 8.90	100,000	8.94	$ 7.47	6,000	$ 8.90
$14.62 to 15.99	363,371	1.43	14.91	363,371	14.91
$6.85 to 15.99	**463,371**	**3.05**	**$ 13.30**	**369,371**	**$ 14.81**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

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

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2015 and 2014:

December 31, 2015	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**0.95 %**	**0.80 %**	**0.68 %**
Distribution yield	**0.42 %**	**1.50 %**	**– %**
Expected volatility	**20.88 %**	**19.30 %**	**67.83 %**
Expected remaining life	**5.0 years**	**3.64 years**	**1.83 years**

December 31, 2014	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.69 %	1.38 %	1.07 %
Distribution yield	0.31 %	1.37 %	– %
Expected volatility	26.89 %	18.99 %	32.61 %
Expected remaining life	6.0 years	3.58 years	1.21 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(e) Liability of vested options

As of December 31, 2015, the liability for all vested options was $5.5 million as calculated using the intrinsic value ($6.3 million as of December 31, 2014).

(f) Consolidated compensation charge

For the year ended December 31, 2015, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $9.2 million ($5.8 million in 2014), of which a net reversal of the charge of $0.3 million (a charge of $1.0 million in 2014) is presented as part of discontinued operations.

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

25. CONVERTIBLE DEBENTURES

On October 11, 2012, the Corporation issued $500.0 million in aggregate principal amount of convertible debentures bearing interest at an annual rate of 4.125% and maturing in October 2018. Interest is payable semi-annually in cash, in Quebecor Class B Shares, or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B Share, subject to a floor price of $19.25 per share (that is, a maximum number of 25,974,026 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the floor price) and a ceiling price of $24.06 per share (that is, a minimum number of 20,779,220 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives in other liabilities (note 22). The fair value of these embedded derivatives as of December 31, 2015 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 0.70% (1.41% in 2014), a dividend yield of 0.42% (0.31% in 2014), and an expected volatility of 19.60% (20.40% in 2014). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2015 would have decreased the gain on embedded derivatives related to convertible debentures by $19.2 million, while a one dollar decrease in the market price of a Quebecor Class B share would have increased the gain by $19.0 million.

26. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Translation of net investments in foreign operations	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2013	$ 1.2	$ (16.0)	$ (8.3)	$ (23.1)
Other comprehensive loss	(1.2)	(13.2)	(26.9)	(41.3)
Balance as of December 31, 2014	–	(29.2)	(35.2)	(64.4)
Other comprehensive loss	–	(23.3)	(16.2)	(39.5)
Non-controlling interests acquisition (note 12)	–	(5.1)	(2.2)	(7.3)
Balance as of December 31, 2015	**$ –**	**$ (57.6)**	**$ (53.6)**	**$ (111.2)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 1/2-year period.

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

27. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, broadcasting rights, and to pay royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2016	$ 51.3	$ 253.6
2017 to 2020	117.8	493.6
2021 and thereafter	84.7	592.8

The Corporation and its subsidiaries' operating lease expenses amounted to $66.9 million in 2015 ($69.3 million in 2014), of which $6.0 million ($14.7 million in 2014) is presented as part of discontinued operations.

28. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms), and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2015, the maximum exposure with respect to these guarantees was $28.4 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

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

Outsourcing companies and suppliers

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

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

28. GUARANTEES (continued)

Other

One of the Corporation's subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar		Notional amount sold		Notional amount bought
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.3105	$	168.7	US$	128.7
2017[2]	1.3849	US$	260.0	$	360.1

1 See footnote 1 below "Cross-currency interest rate swaps" table.

2 See footnote 2 below "Cross-currency interest rate swaps" table.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Interest rate swaps

Maturity	Notional amount	Pay/ receive	Fixed rate	Floating rate
TVA Group				
2017	$ 38.5	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

(iii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023[1]	2007 to 2016	US$ 320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$ 342.1	Bankers' acceptance 3 months + 2.77%	1.0346

[1] Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued in 2012. In conjunction with the repurposing of these swaps, Quebecor Media has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(iii) Cross-currency interest rate swaps (continued)

Hedged item	Hedging instrument				
	Period covered		Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Videotron					
5.000% Senior Notes due 2022	2014 to 2022	US$	543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$	256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$	260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$	158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$	441.4	5.62%	1.1039

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued in 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

(b) Fair value of financial instruments

In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its other financial instruments accounted for at fair value in the consolidated balance sheets:

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

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

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

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2015 and 2014 are as follows:

		2015		2014
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$ (5,892.5)**	**$ (5,894.9)**	$ (5,326.7)	$ (5,444.7)
Convertible debentures[3]	**(706.4)**	**(706.4)**	(711.8)	(711.8)
Derivative financial instruments[4]				
Early settlement options	**1.0**	**1.0**	8.2	8.2
Foreign exchange forward contracts[5]	**9.3**	**9.3**	4.2	4.2
Interest rate swaps	**(0.8)**	**(0.8)**	(0.5)	(0.5)
Cross-currency interest rate swaps[5]	**945.2**	**945.2**	294.4	294.4

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $953.7 million as of December 31, 2015 ($298.6 million as of December 31, 2014).

5 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2015, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2015, 10.4% of trade receivables were 90 days past their billing date (8.5% as of December 31, 2014) of which 40.4% had an allowance for doubtful accounts (52.3% as of December 31, 2014).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2015 and 2014:

		2015		2014
Balance at beginning of year	**$**	**21.8**	$	28.4
Charged to income		**32.1**		32.1
Utilization		**(30.9)**		(34.5)
Reclassification to assets held for sale		**–**		(4.2)
Balance at end of year	**$**	**23.0**	$	21.8

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

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

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.0 years as of December 31, 2015 (7.2 years as of December 31, 2014).

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

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2015, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 34.3**	$ 34.3	$ –	$ –	$ –
Accounts payable and accrued charges	**654.9**	654.9	–	–	–
Long-term debt[1]	**5,892.5**	44.0	73.1	761.0	5,014.4
Convertible debentures[2]	**704.0**	–	704.0	–	–
Interest payments[3]	**2,076.9**	263.9	612.3	561.4	639.3
Derivative instruments[4]	**(950.9)**	(1.8)	(17.7)	(112.9)	(818.5)
Total	**$ 8,411.7**	**$ 995.3**	**$ 1,371.7**	**$ 1,209.5**	**$ 4,835.2**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2015 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2015.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

(e) Market risk

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

Foreign currency risk

Most of the Corporation’s consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2015, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation’s sensitivity to variations in foreign exchange rates is economically limited.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2015 is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10	$ **2.2**	$ **50.2**
Decrease of $0.10	**(2.2)**	**(50.2)**

Interest rate risk

Some of the Corporation's and its subsidiaries' bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2015, after taking into account the hedging instruments, long-term debt was comprised of 82.5% fixed-rate debt (82.6% in 2014) and 17.5% floating-rate debt (17.4% in 2014).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2015 was $8.6 million.

The estimated sensitivity on income and on other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2015, as per the Corporation's valuation models, is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of 100 basis points	**$ (3.2)**	**$ (50.5)**
Decrease of 100 basis points	**3.2**	**50.5**

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

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

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

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivative related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2015 and 2014 is as follows:

	2015	2014
Bank indebtedness	**$ 34.3**	$ 5.2
Long-term debt	**5,856.4**	5,278.3
Embedded derivatives related to convertible debentures	**221.7**	232.2
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(953.7)**	(298.1)
Cash and cash equivalents	**(18.6)**	(395.3)
Net liabilities	**5,640.1**	5,322.3
Equity	**$ 652.0**	$ 1,063.3

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

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

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

		2015		2014
Salaries and short-term benefits	**$**	**10.5**	$	11.0
Share-based compensation		**6.6**		(0.1)
Other long-term benefits		**1.5**		7.9
	$	**18.6**	$	18.8

Operating transactions

During the year ended December 31, 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $3.4 million ($2.9 million in 2014), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.3 million in 2014). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation’s pension plans are registered with a Québec or federal regulatory authority.

The Corporation’s funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future payment of amortization payments when the degree of solvency of the pension plans is less than 100% as defined by the relevant Québec and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

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

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2015 and 2014:

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,181.8**	$ 991.6	**$ 65.2**	$ 54.3
Service costs	**36.4**	31.4	**1.7**	1.1
Interest costs	**49.0**	50.9	**2.7**	2.6
Plan participants' contributions	**13.1**	14.6	**–**	–
Actuarial loss arising from:				
Demographic assumptions	**–**	12.2	**–**	0.4
Financial assumptions	**19.9**	136.7	**1.3**	4.8
Participant experience	**6.1**	(2.3)	**–**	3.5
Benefits and settlements paid	**(66.5)**	(54.4)	**(1.7)**	(1.5)
Curtailment, amendments and other	**(7.0)**	1.1	**–**	–
Benefit obligations at the end of the year	**$ 1,232.8**	$ 1,181.8	**$ 69.2**	$ 65.2

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,115.6**	$ 976.7	**$ –**	$ –
Actual return on plan assets	**59.3**	118.7	**–**	–
Employer contributions	**43.3**	60.0	**1.7**	1.5
Plan participants' contributions	**13.1**	14.6	**–**	–
Benefits and settlements paid	**(66.5)**	(54.4)	**(1.7)**	(1.5)
Fair value of plan assets at the end of the year	**$ 1,164.8**	$ 1,115.6	**$ –**	$ –

As of December 31, 2015, the weighted average duration of defined benefit obligations was 16.0 years (16.7 years in 2014). The Corporation expects future benefit payments of $59.2 million in 2016.

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

Plan assets are comprised of:

	2015	2014
Equity securities:		
Canadian	**21.4 %**	22.4 %
Foreign	**33.8**	32.3
Debt securities	**42.3**	41.8
Other	**2.5**	3.5
	100.0 %	100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

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

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

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Benefit obligations	**$ (1,232.8)**	$ (1,181.8)	**$ (69.2)**	$ (65.2)
Fair value of plan assets	**1,164.8**	1,115.6	**–**	–
Plan deficit	**(68.0)**	(66.2)	**(69.2)**	(65.2)
Asset limit and minimum funding adjustment	**(21.7)**	(4.4)	**–**	–
Net amount recognized[1]	**$ (89.7)**	$ (70.6)	**$ (69.2)**	$ (65.2)

[1] The net amount recognized for 2015 consists of a liability of $158.9 million included in Other liabilities (note 22) and for 2014, it consists of an asset of $3.3 million included in Other assets (note 18), a liability of $136.8 million included in Other liabilities and a liability of $2.3 million included in liabilities held for sale.

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Actuarial loss on benefit obligations	**$ (26.0)**	$ (146.6)	**$ (1.3)**	$ (8.7)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**16.2**	71.6	**–**	–
Asset limit and minimum funding adjustment	**(17.3)**	29.8	**–**	–
Re-measurements recorded in other comprehensive income	**$ (27.1)**	$ (45.2)	**$ (1.3)**	$ (8.7)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Employee costs:				
Service costs	**$ 36.4**	$ 31.4	**$ 1.7**	$ 1.1
Curtailment, settlement and other	**(2.8)**	3.7	**–**	–
Interest on net defined benefit liability	**3.5**	2.6	**2.4**	2.5
Net benefit costs[1]	**$ 37.1**	$ 37.7	**$ 4.1**	$ 3.6

[1] Net benefit gains of $6.0 million in 2015 were presented as part of discontinued operations (net benefit costs of $5.1 million in 2014).

The expense related to defined contribution pension plans amounted to $16.0 million in 2015 ($15.3 million in 2014), of which $0.4 million ($1.5 million in 2014) is presented as part of discontinued operations.

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $42.0 million in 2016, based on the most recent financial actuarial reports filed (contributions of $45.0 million were paid in 2015).

Assumptions

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

QUEBECOR INC. AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2015 and 2014
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2015 and 2014 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2015	2014	**2015**	2014
Benefit obligations				
Rates as of year-end:				
Discount rate	**4.00 %**	4.10 %	**4.00 %**	4.10 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**4.10 %**	4.90 %	**4.10 %**	4.90 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00

The assumed average retirement age of participants used was of 62 years in 2015 and 2014.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.0 % at the end of 2015. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 4.5% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $18.9 million and the postretirement benefits obligation by $1.4 million as of December 31, 2015. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

32. SUBSEQUENT EVENT

On January 7, 2016, Videotron acquired Fibrenoire Inc. (“Fibrenoire”), a company that provides businesses with fibre-optic connectivity services. The transaction will enable Videotron Business Solutions and Fibrenoire to join forces to meet the growing demand from business customers for fibre-optic connectivity. The purchase price was $125.0 million, including $120.6 million paid at the closing, subject to certain adjustments.

This is Exhibit 46 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2016 and 2015

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pierre Karl Péladeau
President and Chief Executive Officer

Jean-François Pruneau
Senior Vice President and Chief Financial Officer

Montréal, Canada

March 14, 2017

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc., which comprise the consolidated balance sheets as at December 31, 2016 and 2015 and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Ernst & Young LLP[1]

Montréal, Canada

March 14, 2017

[1] FCPA auditor, FCA. Public accountancy permit no. A107913

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars, except earnings per share data)

	Note	**2016**	2015
Revenues	2	**$ 4,016.6**	$ 3,890.8
Employee costs	3	**714.8**	697.4
Purchase of goods and services	3	**1,807.7**	1,752.7
Depreciation and amortization		**653.0**	693.6
Financial expenses	4	**328.0**	335.0
Loss (gain) on valuation and translation of financial instruments	5	**70.3**	(6.7)
Restructuring of operations, litigation, and other items	6	**28.0**	(116.9)
Impairment of goodwill and other assets	7	**40.9**	230.7
Loss on debt refinancing	8	**7.3**	12.1
Income before income taxes		**366.6**	292.9
Income taxes (recovery):			
Current	9	**158.2**	63.4
Deferred	9	**(40.4)**	29.7
		117.8	93.1
Income from continuing operations		**248.8**	199.8
Loss from discontinued operations	31	**–**	(19.7)
Net income		**$ 248.8**	$ 180.1
Income from continuing operations attributable to			
Shareholders		**$ 194.7**	$ 165.6
Non-controlling interests		**54.1**	34.2
Net income (loss) attributable to			
Shareholders		**$ 194.7**	$ 151.8
Non-controlling interests		**54.1**	28.3
Earnings per share attributable to shareholders	10		
Basic:			
From continuing operations		**$ 1.59**	$ 1.35
From discontinued operations		**–**	(0.11)
Net income		**1.59**	1.24
Diluted:			
From continuing operations		**1.58**	1.18
From discontinued operations		**–**	(0.09)
Net income		**1.58**	1.09
Weighted average number of shares outstanding (in millions)		**122.3**	122.7
Weighted average number of diluted shares (in millions)		**122.7**	143.7

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Note	2016	2015
Income from continuing operations		**$ 248.8**	$ 199.8
Other comprehensive income (loss) from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
(Loss) gain on valuation of derivative financial instruments		**(30.9)**	14.0
Deferred income taxes		**15.9**	(41.6)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain (loss)	30	**32.8**	(28.4)
Deferred income taxes		**(8.8)**	7.7
Reclassification to income:			
Gain related to cash flows hedges	8	**–**	(3.9)
Deferred income taxes		**–**	(0.4)
		9.0	(52.6)
Comprehensive income from continuing operations		**257.8**	147.2
Loss from discontinued operations	31	**–**	(19.7)
Comprehensive income		**$ 257.8**	$ 127.5
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 199.8**	$ 126.1
Non-controlling interests		**58.0**	21.1
Comprehensive income attributable to			
Shareholders		**$ 199.8**	$ 112.3
Non-controlling interests		**58.0**	15.2

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss		
	(note 23)			(note 25)		
Balance as of December 31, 2014	$ 327.2	$ 2.3	$ 238.9	$ (64.4)	$ 559.3	$ 1,063.3
Net income	–	–	151.8	–	28.3	180.1
Other comprehensive loss	–	–	–	(39.5)	(13.1)	(52.6)
Dividends or distributions	–	–	(16.0)	–	(23.4)	(39.4)
Repurchase of Class B Shares	(1.6)	–	(10.8)	–	–	(12.4)
Issuance of shares of a subsidiary to non-controlling interests (note 11)	–	–	–	–	12.1	12.1
Non-controlling interests and business acquisitions (note 11)	–	–	(281.7)	(7.3)	(210.1)	(499.1)
Balance as of December 31, 2015	325.6	2.3	82.2	(111.2)	353.1	652.0
Net income	–	–	194.7	–	54.1	248.8
Other comprehensive income	–	–	–	5.1	3.9	9.0
Dividends or distributions	–	–	(20.8)	–	(19.1)	(39.9)
Repurchase of Class B Shares	(2.3)	–	(20.4)	–	–	(22.7)
Balance as of December 31, 2016	**$ 323.3**	**$ 2.3**	**$ 235.7**	**$ (106.1)**	**$ 392.0**	**$ 847.2**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Note	2016	2015
Cash flows related to operating activities			
Income from continuing operations		**$ 248.8**	$ 199.8
Adjustments for:			
Depreciation of property, plant and equipment	14	**555.1**	595.2
Amortization of intangible assets	15	**97.9**	98.4
Loss (gain) on valuation and translation of financial instruments	5	**70.3**	(6.7)
Impairment of goodwill and other assets	7	**40.9**	230.7
Loss on debt refinancing	8	**7.3**	12.1
Amortization of financing costs and long-term debt discount	4	**7.1**	7.1
Deferred income taxes	9	**(40.4)**	29.7
Other		**3.2**	5.9
		990.2	1,172.2
Net change in non-cash balances related to operating activities		**122.8**	(100.0)
Cash flows provided by continuing operating activities		**1,113.0**	1,072.2
Cash flows related to investing activities			
Non-controlling interests acquisitions	11	**–**	(500.0)
Business acquisitions	11	**(119.5)**	(94.5)
Business disposals	31	**3.0**	316.3
Additions to property, plant and equipment	14	**(707.8)**	(678.6)
Additions to intangible assets	15	**(139.8)**	(360.6)
Proceeds from disposals of assets		**4.3**	4.6
Other		**12.6**	(12.6)
Cash flows used in continuing investing activities		**(947.2)**	(1,325.4)
Cash flows related to financing activities			
Net change in bank indebtedness		**(15.4)**	29.1
Net change under revolving facilities		**(64.5)**	227.1
Issuance of long-term debt, net of financing fees		**–**	370.1
Repayments of long-term debt	8	**(20.0)**	(653.3)
Settlement of hedging contracts	8	**0.4**	(34.3)
Repurchase of Class B Shares	23	**(22.7)**	(12.4)
Issuance of shares of a subsidiary to non-controlling interests	11	**–**	12.1
Dividends		**(20.8)**	(16.0)
Dividends or distributions paid to non-controlling interests		**(19.1)**	(23.4)
Cash flows used in continuing financing activities		**(162.1)**	(101.0)
Net change in cash and cash equivalents from continuing operations		**$ 3.7**	$ (354.2)

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Note		**2016**		2015
Net change in cash and cash equivalents from continuing operations		**$**	**3.7**	$	(354.2)
Cash flows used in discontinued operations	31		**–**		(22.5)
Cash and cash equivalents at the beginning of the year			**18.6**		395.3
Cash and cash equivalents at the end of the year		**$**	**22.3**	$	18.6
Additional information on the consolidated statements of cash flows					
Cash and cash equivalents consist of					
Cash		**$**	**21.5**	$	17.0
Cash equivalents			**0.8**		1.6
		$	**22.3**	$	18.6
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)					
Accounts receivable		**$**	**(34.5)**	$	(15.4)
Inventories			**24.7**		(44.5)
Accounts payable, accrued charges and provisions			**40.9**		31.5
Income taxes			**51.4**		(97.4)
Deferred revenues			**14.0**		21.0
Defined benefit plans			**10.0**		(3.8)
Other			**16.3**		8.6
		$	**122.8**	$	(100.0)
Non-cash investing activities					
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$**	**(6.2)**	$	(12.7)
Interest and taxes reflected as operating activities					
Cash interest payments		**$**	**308.6**	$	305.7
Cash income tax payments (net of refunds)			**104.4**		158.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2016 and 2015
(in millions of Canadian dollars)

	Note	**2016**	2015
Assets			
Current assets			
Cash and cash equivalents		**$ 22.3**	$ 18.6
Accounts receivable	12	**525.4**	494.1
Income taxes		**6.9**	28.6
Inventories	13	**183.3**	215.5
Prepaid expenses		**53.0**	46.0
		790.9	802.8
Non-current assets			
Property, plant and equipment	14	**3,605.1**	3,424.9
Intangible assets	15	**1,224.0**	1,178.0
Goodwill	16	**2,725.4**	2,678.4
Derivative financial instruments	28	**809.0**	1,072.4
Deferred income taxes	9	**16.0**	29.5
Other assets	17	**91.9**	89.9
		8,471.4	8,473.1
Total assets		**$ 9,262.3**	$ 9,275.9

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2016 and 2015
(in millions of Canadian dollars)

	Note	**2016**	2015
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 18.9**	$ 34.3
Accounts payable and accrued charges	18	**705.9**	654.9
Provisions	19	**69.3**	67.1
Deferred revenue		**339.7**	321.5
Income taxes		**35.2**	9.1
Current portion of long-term debt	20	**51.8**	44.0
		1,220.8	1,130.9
Non-current liabilities			
Long-term debt	20	**5,616.9**	5,812.4
Derivative financial instruments	28	**0.3**	118.7
Convertible debentures	21	**500.0**	500.0
Other liabilities	22	**516.2**	448.2
Deferred income taxes	9	**560.9**	613.7
		7,194.3	7,493.0
Equity			
Capital stock	23	**323.3**	325.6
Contributed surplus		**2.3**	2.3
Retained earnings		**235.7**	82.2
Accumulated other comprehensive loss	25	**(106.1)**	(111.2)
Equity attributable to shareholders		**455.2**	298.9
Non-controlling interests		**392.0**	353.1
		847.2	652.0
Commitments and contingencies	19, 26		
Guarantees	27		
Total liabilities and equity		**$ 9,262.3**	$ 9,275.9

See accompanying notes to consolidated financial statements.

On March 14, 2017, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2016 and 2015.

On behalf of the Board of Directors,

Brian Mulroney

Jean La Couture

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

Jean La Couture
Director

QUEBECOR INC.

SEGMENTED INFORMATION

Years ended December 31, 2016 and 2015

(in millions of Canadian dollars)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. (“Quebecor Media”) refers to Quebecor Media Inc. and its subsidiaries. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media and in subsidiaries controlled by Quebecor Media. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	81.1 %	81.1 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized web sites, the publishing of books and magazines, the distribution of books, magazines and movies, the distribution and production of music, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, and the operation of two Quebec Major Junior Hockey League teams.

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

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2016
Revenues	**$ 3,151.8**	**$ 938.0**	**$ 34.6**	**$ (107.8)**	**$ 4,016.6**
Employee costs	**379.7**	**269.2**	**11.5**	**54.4**	**714.8**
Purchase of goods and services	**1,322.7**	**605.5**	**30.3**	**(150.8)**	**1,807.7**
Adjusted operating income[1]	**1,449.4**	**63.3**	**(7.2)**	**(11.4)**	**1,494.1**
Depreciation and amortization					**653.0**
Financial expenses					**328.0**
Loss on valuation and translation of financial instruments					**70.3**
Restructuring of operations, litigation and other items					**28.0**
Impairment of goodwill and other assets					**40.9**
Loss on debt refinancing					**7.3**
Income before income taxes					**$ 366.6**
Additions to property, plant and equipment	**$ 666.8**	**$ 38.2**	**$ 2.5**	**$ 0.3**	**$ 707.8**
Additions to intangible assets	**125.6**	**10.2**	**0.8**	**3.2**	**139.8**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

SEGMENTED INFORMATION (continued)

Years ended December 31, 2016 and 2015
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2015
Revenues	$ 3,007.0	$ 975.8	$ 23.2	$ (115.2)	$ 3,890.8
Employee costs	359.4	285.3	11.0	41.7	697.4
Purchase of goods and services	1,261.8	620.3	23.9	(153.3)	1,752.7
Adjusted operating income[1]	1,385.8	70.2	(11.7)	(3.6)	1,440.7
Depreciation and amortization					693.6
Financial expenses					335.0
Gain on valuation and translation of financial instruments					(6.7)
Litigation, restructuring of operations, and other items					(116.9)
Impairment of goodwill and other assets					230.7
Loss on debt refinancing					12.1
Income before income taxes					$ 292.9
Additions to property, plant and equipment	$ 630.2	$ 36.0	$ 12.0	$ 0.4	$ 678.6
Additions to intangible assets	312.3	9.3	34.6	4.4	360.6

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred to as a non-International Financial Reporting Standards ("IFRS") measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations, litigation and other items, impairment of goodwill and other assets, loss on debt refinancing, income taxes and loss from discontinued operations.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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

Comparative figures for the year ended December 31, 2015 have been restated to conform to the presentation adopted for the year ended December 31, 2016.

(b) Change in accounting estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in the operation of its Telecommunications segment. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development ("ISED") Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015 and no amortization expense has been recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015.

(c) Consolidation

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business combinations

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

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to shareholders, and are initially measured at fair value.

(e) Foreign currency translation

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

(f) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony and over-the-top video service, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Telecommunications (continued)

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

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video service are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;
- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

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

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers, magazines, books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

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

- Revenues from leasing, and from ticket (including season tickets), food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues from the rental of suites are recognized ratably over the period of the agreement;
- Revenues from the sale of advertising under the form of venue signage or sponsorships, are recognized ratably over the period of the agreement;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

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

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

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

(h) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

For the year ended December 31, 2016, the Corporation recorded $11.7 million of barter advertising revenues ($10.3 million in 2015).

(i) Income taxes

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income taxes (continued)

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

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

(k) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	Loans and receivables	Available-for-sale	Other liabilities
• Cash and cash equivalents • Bank indebtedness • Exchangeable debentures included in "Other liabilities"	• Accounts receivable • Loans and other long-term receivables included in "Other assets"	• Other portfolio investments included in "Other assets"	• Accounts payable and accrued charges • Long-term debt • Convertible debentures • Other long-term financial liabilities included in "Other liabilities"

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as "Other liabilities" are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in "Other liabilities", are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in the consolidated statements of income as other items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting

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

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

(l) Financing fees

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

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(n) Cash and cash equivalents

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

(o) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(p) Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

In particular, inventories related to broadcasting activities, which primarily comprise programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are classified as current or long-term assets, based on management's estimate of the broadcast or distribution period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated. Broadcast and distribution rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

Estimates of future revenues used to determine the net realizable values of inventories related to the broadcasting or distribution of television products and movies are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to the net realizable value, as necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

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

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

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

Assets	Estimated useful life
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

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

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

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

(s) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized based on the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada, (ii) the Corporation has the financial and operational ability to renew these spectrum licences, (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future (note 1 (b)).

Broadcasting licences, trademarks and sport franchises have also an indefinite useful life and are not amortized. In particular, given the low cost of renewal of broadcasting licences, management believes it is economically compelling to renew the licences and to comply with all rules and conditions attached to those licences. These intangibles assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

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

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

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

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

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

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

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

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Stock-based compensation

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

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

(v) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

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

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

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

(w) Convertible debentures

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

(x) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

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

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instruments must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to convertible debentures and to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, the gain or loss on valuation of financial instruments recorded in the consolidated statements of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheets. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 28.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

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

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheets. Key assumptions and a sensitivity analysis on the discount rate are presented in note 30.

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 19.

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

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

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

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changed its conclusion in the future, as it did in 2015 (note 1 (b)).

(iii) CGU's determination for the purpose of impairment tests

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting network infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statements of income.

(iv) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is therefore required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(v) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

(y) Recent accounting pronouncements

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

The Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRS 9.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The Corporation expects that the adoption of IFRS 15 will have significant impacts on its consolidated financial statements, more specifically in its Telecommunications segment, with regards to the timing in the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs to obtain a contract and of certain other costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will need to be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile services under contracts with multiple deliverables. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same.

In addition, under IFRS 15, certain costs to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Recent accounting pronouncements (continued)

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided that the IFRS 15 is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since all of the Corporation segments are engaged in various long-term leases on premises and equipment.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. As operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2016	2015
Services rendered	**$ 3,668.2**	$ 3,516.4
Product sales	**348.4**	374.4
	$ 4,016.6	$ 3,890.8

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2016	2015
Employee costs	**$ 898.1**	$ 874.0
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(183.3)**	(176.6)
	714.8	697.4
Purchase of goods and services:		
Royalties, rights and creation costs	**701.9**	729.3
Cost of products sold	**352.4**	318.0
Service contracts	**168.7**	159.7
Marketing, circulation and distribution expenses	**113.8**	112.3
Building expenses	**87.0**	78.8
Other	**383.9**	354.6
	1,807.7	1,752.7
	$ 2,522.5	$ 2,450.1

4. FINANCIAL EXPENSES

	2016	2015
Interest on long-term debt and on debentures	**$ 311.9**	$ 311.6
Amortization of financing costs and long-term debt discount	**7.1**	7.1
Interest on net defined benefit liability	**7.2**	5.9
Loss on foreign currency translation on short-term monetary items	**0.5**	6.4
Other	**1.3**	4.0
	$ 328.0	$ 335.0

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

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

	2016	2015
Loss (gain) on embedded derivatives related to convertible debentures	**$ 68.2**	$ (10.5)
Loss (gain) on the ineffective portion of fair value hedges	**2.0**	(3.6)
Loss on the ineffective portion of cash flow hedges	**0.1**	1.6
(Gain) loss on embedded derivatives related to long-term debt	**(0.2)**	6.2
Loss (gain) on reversal of embedded derivatives on debt redemption	**0.2**	(0.4)
	$ 70.3	$ (6.7)

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

	2016	2015
Restructuring of operations	**$ 26.1**	$ 19.2
Litigation	**1.1**	(138.1)
Other items	**0.8**	2.0
	$ 28.0	$ (116.9)

Restructuring of operations

In 2016, the Telecommunications segment recorded a charge for restructuring costs of $14.3 million, mainly related to the migration of its subscribers from analog to digital services ($8.8 million in 2015).

The Media segment has implemented various restructuring initiatives to reduce operating costs and, as a result, restructuring costs of $10.1 million, mainly for the reduction of positions, were recorded in 2016 ($9.8 million in 2015).

Other segments recorded a charge for restructuring costs of $1.7 million in 2016 ($0.6 million in 2015).

Litigation

On March 6, 2015, the Court of Appeal of Quebec ruled in favour of Videotron and TVA Group Inc. ("TVA Group"), and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, to pay Videotron $135.3 million and TVA Group $0.6 million, including interest, for negligence in failing to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada rejected Bell ExpressVu's application for leave to appeal the judgment. The related $139.1 million gain was recorded in 2015.

In 2014, a charge of $34.3 million, including interest, was accounted for as a result of an unfavorable judgment against Videotron in a legal action. Videotron is currently appealing this judgment. $1.1 million in interest relating to this litigation was recorded in 2016 ($1.0 million in 2015).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

7. IMPAIRMENT OF GOODWILL AND OTHER ASSETS

	2016	2015
Impairment of goodwill	**$ 40.1**	$ 85.0
Impairment of property, plant and equipment	**–**	76.5
Impairment of intangible assets	**0.8**	69.2
	$ 40.9	$ 230.7

2016

During the third quarter of 2016, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in advertising revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of $40.1 million (without any tax consequence).

An impairment charge on intangible assets of $0.8 million was also recorded in 2016 in the Media segment.

2015

In 2015, the Corporation performed impairment tests on its CGUs and concluded that the recoverable amounts of its Newspapers and Broadcasting CGUs were less than their carrying values. The recoverable amounts of these CGUs were negatively impacted by the decrease in newspaper and commercial printing volumes at the Mirabel printing plant, plus the continuing pressure on advertising revenues in the newspaper and television industries. Accordingly, a goodwill impairment charge of $85.0 million (without any tax consequence) and an impairment charge on other assets of $81.9 million, mainly related to Mirabel printing plant assets, were recorded for the Newspapers CGU. An impairment charge of $60.1 million on the TVA Network's broadcasting licence (including $30.1 million without any tax consequence) was recorded for the Broadcasting CGU.

An impairment charge on intangible assets of $3.7 million was also recorded in 2015 in other segments.

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

8. LOSS ON DEBT REFINANCING

2016

- On December 2, 2016, Videotron issued a notice for the redemption of an aggregate principal amount of $175.0 million of its issued and outstanding 6.875% Senior Notes due July 15, 2021, at a redemption price of 103.438% of their principal amount. On January 5, 2017, the Senior Notes were redeemed for a cash consideration of $181.0 million.

This transaction resulted in a loss of $7.3 million in 2016.

2015

- On April 10, 2015, Videotron redeemed all of its issued and outstanding 6.375% Senior Notes due December 15, 2015, in aggregate principal amount of US$175.0 million, and the related hedging contracts were unwound for a total cash consideration of $204.5 million.
- On July 16, 2015, Videotron redeemed all of its issued and outstanding 9.125% Senior Notes due April 15, 2018, in aggregate principal amount of US$75.0 million, and the related hedging contracts were unwound for a total cash consideration of $75.9 million.
- On July 16, 2015, Videotron redeemed all of its issued and outstanding 7.125% Senior Notes due January 15, 2020, in aggregate principal amount of $300.0 million, for a total cash consideration of $310.7 million.

These transactions resulted in a total loss of $12.1 million in 2015, net of a gain of $3.9 million previously reported in other comprehensive income.

9. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.9% in 2016 and 2015 and income taxes in the consolidated statements of income:

	2016	2015
Income taxes at domestic statutory tax rate	**$ 98.6**	$ 78.8
Increase (reduction) resulting from:		
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**19.4**	10.1
Change in benefit arising from the recognition of current and prior year tax losses	**(0.5)**	(1.3)
Change in deferred tax balances due to a change in substantively enacted tax rates	**(6.7)**	–
Non-deductible impairment of goodwill	**10.8**	22.9
Other[1]	**(3.8)**	(17.4)
Income taxes	**$ 117.8**	$ 93.1

[1] Includes in 2015 a decrease of $16.1 million in income tax liability resulting from developments in tax audit matters, jurisprudence and tax legislation.

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

9. INCOME TAXES (continued)

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

	Consolidated balance sheets		Consolidated income statements	
	2016	2015	**2016**	2015
Loss carryforwards	**$ 103.8**	$ 105.6	**$ 1.8**	$ (2.9)
Accounts payable, accrued charges, provisions and deferred revenue	**20.6**	14.6	**(6.0)**	(7.7)
Defined benefit plans	**35.9**	42.8	**(1.9)**	1.5
Property, plant and equipment	**(412.9)**	(397.6)	**11.7**	(27.0)
Goodwill, intangible assets and other assets	**(119.6)**	(93.0)	**22.7**	29.4
Long-term debt, derivative financial instruments and exchangeable debentures	**(161.1)**	(178.3)	**(1.3)**	14.3
Benefits from a general partnership	**(0.6)**	(67.6)	**(67.0)**	11.1
Other	**(11.0)**	(10.7)	**(0.4)**	8.7
	$ (544.9)	$ (584.2)	**$ (40.4)**	$ 27.4

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

	Note	**2016**	2015
Balance at beginning of year		**$ (584.2)**	$ (555.1)
Recognized in income as continuing operations		**40.4**	(29.7)
Recognized in income as discontinued operations	31	**–**	2.3
Recognized in other comprehensive income		**7.1**	(34.3)
Business acquisitions and disposals	11, 31	**(7.5)**	31.8
Other		**(0.7)**	0.8
Balance at end of year		**$ (544.9)**	$ (584.2)
Deferred income tax asset		**$ 16.0**	$ 29.5
Deferred income tax liability		**(560.9)**	(613.7)
		$ (544.9)	$ (584.2)

As of December 31, 2016, the Corporation had loss carryforwards for income tax purposes of $38.2 million available to reduce future taxable income, that will expire between 2030 and 2036. These losses have been recognized. The Corporation also had capital losses of $1,087.3 million that can be carried forward indefinitely and applied only against future capital gains, of which $244.5 million were not recognized.

There are no income tax consequences attached to the payment of dividends in 2016 or 2015 by the Corporation to its shareholders.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2016	2015
Income from continuing operations attributable to shareholders	**$ 194.7**	$ 165.6
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(0.5)**	4.2
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 194.2**	$ 169.8
Net income attributable to shareholders	**$ 194.7**	$ 151.8
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(0.5)**	4.2
Net income attributable to shareholders, adjusted for dilution effect	**$ 194.2**	$ 156.0
Weighted average number of shares outstanding (in millions)	**122.3**	122.7
Potentially dilutive effect of stock options and of convertible debentures of the Corporation	**0.4**	21.0
Weighted average number of diluted shares outstanding (in millions)	**122.7**	143.7

For the year ended December 31, 2016 and 2015, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of certain stock options of the Corporation and of the Corporation's subsidiaries since their impact is anti-dilutive. During the year ended December 31, 2016, 357,632 options of TVA Group's plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (364,500 options of the Quebecor Media's plan and 463,371 options of TVA Group's plan were excluded in 2015).

For the year ended December 31, 2016, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive.

11. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

2015

- On March 20, 2015, TVA Group completed a rights offering, whereby TVA Group received aggregate gross proceeds of $110.0 million from the issuance of 19,434,629 Class B Shares, non-voting, participating, without par value of TVA Group ("TVA Group Class B Shares"). Under the rights offering, Quebecor Media has subscribed to 17,300,259 TVA Group Class B Shares at a total cost of $97.9 million; accordingly, its aggregate equity interest in TVA Group increased from 51.5% to 68.4%. The increase of Quebecor Media's interest in TVA Group was accounted for as an equity transaction and resulted in an increase of retained earnings of $14.1 million and in an equivalent decrease of non-controlling interests.
- On September 9, 2015, Quebecor Media repurchased 7,268,324 of its Common Shares held by CDP Capital d'Amérique Investissement inc., a subsidiary of Caisse de dépôt et placement du Québec, for an aggregate purchase price of $500.0 million paid in cash. This transaction resulted in an increase of the Corporation interest in Quebecor Media from 75.4% to 81.1% and was accounted for as an equity transaction. Accordingly, the excess of $301.4 million of the purchase price over the carrying value of non-controlling interests of $198.6 million acquired was recorded as a $294.1 million reduction of retained earnings and as a $7.3 million increase of accumulated other comprehensive loss.
- Other non-controlling interests acquisitions were made in 2015 resulting in a decrease of retained earnings of $1.7 million and in an equivalent increase of non-controlling interests.

(b) Business acquisitions

2016

- On January 7, 2016, Videotron acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million. At closing, Videotron paid an amount of $119.1 million, net of cash acquired of $1.8 million. A post-closing adjustment of $0.2 million was received in the second quarter of 2016. The purchase balance was paid in February 2017 for an amount of $5.9 million, including interests. Goodwill arising from this acquisition reflects anticipated synergies and future growth potential.
- An amount of $0.6 million was also paid in 2016 relating to balances payable on prior business acquisitions.

2015

- On March 11, 2015, the Telecommunications segment acquired 4Degrees Colocation Inc. ("4Degrees Colocation") and its data center, the largest in Québec City, for a purchase price of $35.5 million in cash. A post-closing adjustment of $0.2 million was received in the second quarter of 2015. The acquisition enables Videotron to meet its business customers' growing technological and hosting needs. Goodwill arising from this acquisition mainly reflects 4Degrees Colocation's expertise and future growth potential.
- On April 12, 2015, TVA Group acquired 14 magazines, including some magazines that will be owned and operated in partnership, for a purchase price of $55.5 million in cash and a post-closing adjustment of $0.8 million, paid in the fourth quarter of 2015. The transaction is in line with the strategy of investing in the production and distribution of high-quality, rich, diverse entertainment and news media content. Goodwill arising from this acquisition mainly reflects content quality and anticipated synergies.
- In 2015, the Corporation also acquired other businesses, such as Marathon de Québec, included in the Sports and Entertainment segment.

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

11. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS (continued)

(b) Business acquisitions (continued)

The purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2016 and 2015 is summarized as follows:

	2016	2015
Assets acquired		
Non-cash current assets	$ 5.5	$ 20.1
Property, plant and equipment	32.7	13.9
Intangible assets	15.6	32.0
Goodwill	87.1	48.8
Other assets	–	2.1
	140.9	116.9
Liabilities assumed		
Non-cash current liabilities	(3.1)	(21.2)
Deferred income taxes	(7.5)	(0.2)
Other long-term liabilities	(5.7)	–
	(16.3)	(21.4)
Net assets acquired at fair value	124.6	95.5
Non-controlling interests	–	(0.8)
	$ 124.6	$ 94.7
Consideration		
Cash	$ 119.0	$ 94.5
Balance payable	5.6	0.2
	$ 124.6	$ 94.7

The pro forma revenues and net income in 2016 would not have been significantly different than the actual figures if all business acquisitions had occurred at the beginning of the year.

The amount of goodwill that is deductible for tax purposes is $0.1 million in 2016 ($7.6 million in 2015).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. ACCOUNTS RECEIVABLE

	Note	**2016**	2015
Trade	28(c)	**$ 466.2**	$ 433.0
Other		**59.2**	61.1
		$ 525.4	$ 494.1

13. INVENTORIES

	2016	2015
Raw materials and supplies	**$ 23.5**	$ 22.6
Finished goods	**81.8**	112.9
Programs, broadcast and distribution rights	**76.2**	77.9
Work in progress	**1.8**	2.1
	$ 183.3	$ 215.5

Cost of inventories included in purchase of goods and services amounted to $736.1 million in 2016 ($680.0 million in 2015). Write-downs of inventories totalling $6.8 million were recognized in purchase of goods and services in 2016 ($5.8 million in 2015).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Cost					
Balance as of December 31, 2014	$ 531.9	$ 1,397.6	$ 4,881.1	$ 37.7	$ 6,848.3
Additions	36.8	180.9	295.0	165.9	678.6
Net change in additions financed with accounts payable	–	2.1	(0.4)	(21.8)	(20.1)
Business acquisitions (note 11)	12.6	1.3	–	–	13.9
Reclassification	–	5.0	98.0	(103.0)	–
Retirement, disposals and other[1]	(14.5)	(65.1)	(79.9)	(4.2)	(163.7)
Balance as of December 31, 2015	566.8	1,521.8	5,193.8	74.6	7,357.0
Additions	79.4	188.1	341.0	99.3	707.8
Net change in additions financed with accounts payable	–	(3.3)	10.5	(4.4)	2.8
Business acquisitions (note 11)	0.5	0.3	31.9	–	32.7
Reclassification	–	10.2	66.6	(76.8)	–
Retirement, disposals and other	(4.8)	(53.6)	(94.7)	(0.2)	(153.3)
Balance as of December 31, 2016	**$ 641.9**	**$ 1,663.5**	**$ 5,549.1**	**$ 92.5**	**$ 7,947.0**

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2014	$ 182.6	$ 708.4	$ 2,526.9	$ –	$ 3,417.9
Depreciation	17.2	220.1	357.9	–	595.2
Impairment (note 7)	19.3	57.2	–	–	76.5
Retirement, disposals and other[1]	(12.3)	(55.2)	(90.0)	–	(157.5)
Balance as of December 31, 2015	206.8	930.5	2,794.8	–	3,932.1
Depreciation	20.6	207.4	327.1	–	555.1
Retirement, disposals and other	(1.8)	(49.6)	(93.9)	–	(145.3)
As of December 31, 2016	**$ 225.6**	**$ 1,088.3**	**$ 3,028.0**	**$ –**	**$ 4,341.9**
Net carrying amount					
As of December 31, 2015	$ 360.0	$ 591.3	$ 2,399.0	$ 74.6	$ 3,424.9
As of December 31, 2016	**$ 416.3**	**$ 575.2**	**$ 2,521.1**	**$ 92.5**	**$ 3,605.1**

[1] Also includes the net change in assets related to discontinued operations.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. INTANGIBLE ASSETS

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences[1,2]	Software	Customer relation-ships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Cost						
Balance as of December 31, 2014	$ 787.9	$ 624.3	$ 93.8	$ 111.7	$ 7.4	$ 1,625.1
Additions	219.0	64.0	37.1	–	40.5	360.6
Net change in additions financed with accounts payable	–	15.2	–	–	(7.8)	7.4
Business acquisitions (note 11)	–	2.2	21.4	8.4	–	32.0
Reclassification	–	10.7	–	–	(10.7)	–
Retirement, disposals and other[3]	–	(8.3)	(34.1)	–	(0.1)	(42.5)
Balance as of December 31, 2015	1,006.9	708.1	118.2	120.1	29.3	1,982.6
Additions	–	108.8	2.8	–	28.2	139.8
Net change in additions financed with accounts payable	–	(7.0)	–	–	(2.0)	(9.0)
Business acquisitions (note 11)	–	0.5	10.3	4.8	–	15.6
Reclassification	–	30.4	–	–	(30.4)	–
Retirement, disposals and other	–	(29.8)	(15.0)	–	–	(44.8)
Balance as of December 31, 2016	**$ 1,006.9**	**$ 811.0**	**$ 116.3**	**$ 124.9**	**$ 25.1**	**$ 2,084.2**

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

15. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relation-ships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Accumulated amortization and impairment losses						
Balance as of December 31, 2014	$ 233.8	$ 331.8	$ 71.2	$ 42.5	$ –	$ 679.3
Amortization	13.9	75.1	9.4	–	–	98.4
Impairment (note 7)	–	5.4	3.7	60.1	–	69.2
Retirement, disposals and other [3]	–	(7.1)	(35.2)	–	–	(42.3)
Balance as of December 31, 2015	247.7	405.2	49.1	102.6	–	804.6
Amortization	–	84.7	13.2	–	–	97.9
Impairment (note 7)	–	–	0.8	–	–	0.8
Retirement, disposals and other	–	(28.1)	(15.0)	–	–	(43.1)
Balance as of December 31, 2016	**$ 247.7**	**$ 461.8**	**$ 48.1**	**$ 102.6**	**$ –**	**$ 860.2**
Net carrying amount						
As of December 31, 2015	$ 759.2	$ 302.9	$ 69.1	$ 17.5	$ 29.3	$ 1,178.0
As of December 31, 2016	**$ 759.2**	**$ 349.2**	**$ 68.2**	**$ 22.3**	**$ 25.1**	**$ 1,224.0**

[1] Videotron has the option to sell its unused AWS spectrum licence in the Toronto area to Rogers Communications Partnership for a price of $180.0 million, subject to regulatory approvals. The spectrum licence was purchased at a cost of $96.4 million in 2008.

[2] In 2015, Videotron acquired four AWS-3 spectrum licences, covering the Province of Québec and the Ottawa region, and eighteen 2500 MHz spectrum licences, covering the Province of Québec, the Ottawa region, the cities of Toronto, Vancouver, Calgary, and Edmonton, for a total price of $219.0 million.

[3] Also includes the net change in assets related to discontinued operations.

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

15. INTANGIBLE ASSETS (continued)

The cost of internally generated intangible assets, mainly composed of software, was $504.7 million as of December 31, 2016 ($449.1 million as of December 31, 2015). For the year ended December 31, 2016, the Corporation recorded additions of internally generated intangible assets of $66.0 million ($36.9 million in 2015).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $284.3 million as of December 31, 2016 ($245.8 million as of December 31, 2015). For the year ended December 31, 2016, the Corporation recorded $44.3 million in amortization on its internally generated intangible assets ($39.2 million in 2015). The net carrying value of internally generated intangible assets was $220.4 million as of December 31, 2016 ($203.3 million as of December 31, 2015).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

16. GOODWILL

For the years ended December 31, 2016 and 2015, changes in the net carrying amount of goodwill are as follows:

	2016	2015
Cost		
Balance at beginning of year	**$ 5,601.1**	$ 5,584.3
Business acquisitions (note 11)	**87.1**	48.8
Business disposals	**–**	(32.0)
Balance at end of year	**5,688.2**	5,601.1
Accumulated amortization and impairment losses		
Balance at beginning of year	**2,922.7**	2,869.7
Impairment loss (note 7)	**40.1**	85.0
Business disposals	**–**	(32.0)
Balance at end of year	**2,962.8**	2,922.7
Net carrying amount	**$ 2,725.4**	$ 2,678.4

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

16. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2016 and 2015 was allocated to the following significant CGU groups:

	2016	2015
CGU groups		
Telecommunications	**$ 2,677.0**	$ 2,589.9
Magazines	**29.9**	70.0
Other[1]	**18.5**	18.5
Total	**$ 2,725.4**	$ 2,678.4

1 Includes the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

Recoverable amounts

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. GOODWILL (continued)

Recoverable amounts (continued)

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

	2016		2015	
CGU groups [1, 2]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**8.5 %**	**2.5 %**	9.0 %	2.5 %
Magazines	**15.5**	**(1.0)**	16.0	0.0
Other	**12.0 to 16.5**	**0.0 to 2.0**	11.0 to 16.0	0.0 to 2.0

1 In 2016 and 2015, the recoverable amounts of all CGUs, except the Newspaper CGU, were based on value in use, using the discounted cash flow method.

2 The recoverable amount of the Newspapers CGU determined as part of the goodwill impairment test performed in 2015 was based a fair value less costs of disposal (note 7). More specifically, the fair value of the CGU was based on the individual assets which were estimated using external valuation reports, comparable transaction metrics, and other financial information available. These fair values are classified as Level 3 in the fair value hierarchy described in note 28(b).

Sensitivity of recoverable amounts

The following table presents, for the Corporation's significant CGU groups, the change in the discount rate or in the perpetual growth rate used in the tests performed that would have been required for the recoverable amount to equal the carrying value of the CGU as of the most recent impairment tests in 2016:

CGU groups[1]	**Incremental increase in pre-tax discount rate (WACC)**	**Incremental decrease in perpetual growth rate**
Telecommunications	6.0 %	6.5 %
Magazines[1]	–	–

1 The recoverable amount as per the latest impairment test equals the carrying value of the CGU as an impairment charge was recorded as a result of the test.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. OTHER ASSETS

	Note	**2016**	2015
Programs, broadcast and distribution rights		**$ 44.7**	$ 36.3
Deferred connection costs		**13.5**	18.2
Defined benefit plans	30	**8.9**	–
Other		**24.8**	35.4
		$ 91.9	$ 89.9

18. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2016	2015
Trade and accruals	**$ 495.2**	$ 470.9
Salaries and employee benefits	**137.3**	126.8
Interest payable	**48.5**	46.4
Stock-based compensation	**24.9**	10.8
	$ 705.9	$ 654.9

19. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	**Contingencies, legal disputes and other**	**Total**
Balance as of December 31, 2015	$ 4.3	$ 78.1	$ 82.4
Recognized in income	26.1	5.0	31.1
Payments	(26.9)	(1.3)	(28.2)
Other	–	0.2	0.2
Balance as of December 31, 2016	**$ 3.5**	**$ 82.0**	**$ 85.5**
Current portion	**$ 3.5**	**$ 65.8**	**$ 69.3**
Non-current portion (included in "Other Liabilities")	**–**	**16.2**	**16.2**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions in the Media segment.

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

19. PROVISIONS AND CONTINGENCIES (continued)

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

Other

Other provisions are principally related to decommissioning obligations.

20. LONG-TERM DEBT

	Effective interest rate as of December 31, 2016		**2016**	2015
Quebecor				
Bank credit facility (i)	–	%	**$ –**	$ 24.0
Other loan (ii)	3.54	%	**30.9**	31.9
			30.9	55.9
Quebecor Media (iii)				
Bank credit facilities (iv)	3.40	%	**453.4**	474.0
Senior Notes (v)			**1,966.3**	2,001.8
			2,419,7	2,475.8
Videotron (iii)				
Bank credit facilities (vi)	2.08	%	**225.5**	273.5
Senior Notes (v)			**2,954.8**	3,012.6
			3,180.3	3,286.1
TVA Group (iii)				
Bank credit facilities (vii)	2.43	%	**69.6**	73.8
Other			**0.3**	0.9
Total long-term debt			**5,700.8**	5,892.5
Change in fair value related to hedged interest rate risk			**8.4**	11.4
Adjustments related to embedded derivatives			**0.6**	0.6
Financing fees, net of amortization			**(41.1)**	(48.1)
			(32.1)	(36.1)
			5,668.7	5,856.4
Less current portion			**(51.8)**	(44.0)
			$ 5,616.9	$ 5,812.4

20. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2019 in an amount of $150.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in August 2017. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facilities of Quebecor Media are comprised of a US$350.0 million secured term loan "B" facility that matures in August 2020 and is bearing interest at LIBOR, subject to a LIBOR floor of 0.75%, plus a premium of 2.50% and a $300.0 million secured revolving credit facility that matures in July 2020 and is bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2016, the credit facilities were secured by assets with a carrying value of $3,123.2 million ($3,328.3 million in 2015). As of December 31, 2016, no amount was drawn on the revolving credit facility ($2.0 million was drawn in 2015), and the balance of the term loan "B" is $453.4 million ($472.0 million in 2015).

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

20. LONG-TERM DEBT (continued)

(v) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2016:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
$ 325.0	7.375 %	7.375 %	January 15, 2021	June and December 15
US$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
$ 300.0	6.875 %	6.875 %	July 15, 2021	June and December 15
US$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US$ 600.0[1]	5.375 %	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	5.625 %	June 15, 2025	April and October 15
$ 375.0[2]	5.750 %	5.750 %	January 15, 2026	March and September 15

1 The Notes were issued in April 2014 for net proceeds of $654.5 million, net of financing fees of $7.8 million.

2 The Notes were issued in September 2015 for net proceeds of $370.1 million, net of financing fees of $4.9 million.

(vi) The bank credit facilities provide for a $630.0 million secured revolving credit facility that matures in July 2021, a $335.0 million unsecured revolving credit facility that matures in July 2021, and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facilities bear interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The secured bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2016, the secured bank credit facilities were secured by assets with a carrying value of $5,804.3 million ($7,646.3 million in 2015). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2016, $209.4 million had been drawn on the secured revolving credit facilities ($246.7 million was drawn in 2015), $16.1 million was outstanding on the export financing facility ($26.8 million in 2015), and no amount was drawn on the unsecured revolving credit facility.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. LONG-TERM DEBT (continued)

(vii) The bank credit facilities of TVA Group comprise a secured revolving credit facility in the amount of $150.0 million, maturing in February 2019, and a secured term loan in the amount of $75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2016 and 2015, no amount had been drawn on the revolving credit facility, and as of December 31, 2016, $69.6 million was outstanding on the term loan ($73.8 million in 2015).

On December 31, 2016, the Corporation was in compliance with all debt covenants.

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

2017	$	51.8
2018		19.2
2019		56.8
2020		442.5
2021		834.5
2022 and thereafter		4,296.0

21. CONVERTIBLE DEBENTURES

On October 11, 2012, the Corporation issued $500.0 million in aggregate principal amount of convertible debentures bearing interest at an annual rate of 4.125% and maturing in October 2018. Interest is payable semi-annually in cash, in Quebecor Class B Shares, or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B Share, subject to a floor price of $19.25 per share (that is, a maximum number of 25,974,026 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the floor price) and a ceiling price of $24.06 per share (that is, a minimum number of 20,779,220 Quebecor Class B Shares corresponding to a ratio of $500.0 million to the ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives in other liabilities (note 22). The fair value of these embedded derivatives as of December 31, 2016 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 0.89% (0.70% in 2015), a dividend yield of 0.48% (0.42% in 2015), and an expected volatility of 20.66% (19.60% in 2015). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2016 would have increased the loss on embedded derivatives related to convertible debentures by $20.1 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $20.0 million.

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

22. OTHER LIABILITIES

	Note		2016		2015
Defined benefit plans	30	**$**	**144.9**	$	158.9
Embedded derivatives related to convertible debentures	21		**290.0**		221.7
Deferred revenue			**20.7**		18.9
Stock-based compensation[1]	24		**22.0**		18.9
Other[2]			**38.6**		29.8
		$	**516.2**	$	448.2

[1] The current $24.9 million portion of stock-based compensation is included in accounts payable and accrued charges ($10.8 million in 2015) (note 18).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2016 and 2015 and a combined carrying value of $2.1 million as of December 31, 2016 and 2015. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

23. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares			Class B Shares		
	Number		Amount	Number		Amount
Balance as of December 31, 2014	38,973,172	$	8.7	83,903,292	$	318.5
Class A Shares converted into Class B Shares	(46,800)		–	46,800		–
Shares purchased and cancelled	–		–	(413,300)		(1.6)
Balance as of December 31, 2015	38,926,372		8.7	83,536,792		316.9
Class A Shares converted into Class B Shares	(128,100)		(0.1)	128,100		0.1
Shares purchased and cancelled	–		–	(609,300)		(2.3)
Balance as of December 31, 2016	**38,798,272**	**$**	**8.6**	**83,055,592**	**$**	**314.7**

23. CAPITAL STOCK (continued)

(b) Issued and outstanding capital stock (continued)

On August 3, 2016, the Corporation filed a normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of August 3, 2016. The purchases can be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2016, the Corporation purchased and cancelled 609,300 Class B Shares for a total cash consideration of $22.7 million (413,300 Class B Shares for a total cash consideration of $12.4 million in 2015). The excess of $20.4 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2016 ($10.8 million in 2015).

On March 14, 2017, the Board of Directors of the Corporation declared a dividend of $0.045 per share on Class A Shares and Class B Shares, or approximately $5.5 million, payable on April 25, 2017 to shareholders of record at the close of business on March 31, 2017.

24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 13,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation. The exercise price of each option is equal to the weighted average trading price of the Corporation’s Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price, or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans(continued)

(i) Stock option plan(continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2016 and 2015:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning and end of year	**1,310,000**	**$ 25.36**	1,310,000	$ 25.36
Vested options at end of year	**246,666**	**$ 23.42**	100,000	$ 22.23

The following table gives summary information on outstanding options as of December 31, 2016:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$22.23 to 30.24	**1,310,000**	**7.17**	**$ 25,36**	**246,666**	**$ 23,42**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under the mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Corporation Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2016 and 2015:

	2016			2015		
	Units		**Weighted average exercise price**	Units		Weighted average exercise price
Balance at beginning of year	**1,476,346**	**$**	**28.68**	803,517	$	26.22
Granted	**–**		**–**	672,829		31.62
Exercised	**(48,722)**		**21.78**	–		–
Balance at end of year	**1,427,624**	**$**	**28,92**	1,476,346	$	28.68

During the year ended December 31, 2016, a cash consideration of $0.6 million was paid upon the exercise of 48,722 units.

(iii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation's Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation's Class B Shares on the date of redemption. As of December 31, 2016 and 2015, the total number of DSUs outstanding under this plan was 198,142 and 170,982, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2016 and 2015:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,482,494**	**$ 60.44**	1,631,959	$ 55.15
Granted	**–**	**–**	369,500	70.56
Exercised	**(399,689)**	**56.48**	(480,165)	50.35
Cancelled	**(101,900)**	**63.79**	(38,800)	59.01
Balance at end of year	**980,905**	**$ 61.71**	1,482,494	$ 60.44
Vested options at end of year	**163,550**	**$ 54.90**	244,261	$ 51.44

During the year ended December 31, 2016, 399,689 of the Quebecor Media's stock options were exercised for a cash consideration of $6.5 million (480,165 stock options for $9.5 million in 2015).

The following table gives summary information on outstanding options as of December 31, 2016:

	Outstanding options			Vested options	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$37.91 to 53.40	85,700	3.39	$ 46.32	68,500	$ 44.90
$57.35 to 70.56	895,205	7.28	63.18	95,050	62.11
$37.91 to 70.56	**980,905**	**6.94**	**$ 61.71**	**163,550**	**$ 54.90**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

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

The following table gives details on changes to outstanding options for the years ended December 31, 2016 and 2015:

	2016		2015	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**463,371**	**$ 13.30**	525,368	$ 15.25
Granted	**–**	**–**	80,000	6.85
Cancelled	**–**	**–**	(82,366)	13.68
Expired	**(105,739)**	**15.29**	(59,631)	21.28
Balance at end of year	**357,632**	**$ 12.71**	463,371	$ 13.30
Vested options at end of year	**283,632**	**$ 14.11**	369,371	$ 14.81

The following table gives summary information on outstanding options as of December 31, 2016:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$6.85 to 11.83	100,000	7.94	$ 7.47	26,000	$ 7.80
$11.84 to 14.75	257,632	0.85	14.75	257,632	14.75
$6.85 to 14.75	**357,632**	**2.83**	**$ 12.71**	**283,632**	**$ 14.11**

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(d) Deferred share unit and performance share unit plans

On July 10, 2016, TVA Group established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2016, 159,499 DSUs and 212,671 PSUs were outstanding under these plans.

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Subordinate Shares ("Quebecor Class B Shares") and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2016, 79,841 DSUs based on Quebecor Class B Shares, 49,828 DSUs based on TVA Group Class B Shares and 102,212 PSUs based on Quebecor Class B Shares were outstanding under these plans.

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

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2016 and 2015:

December 31, 2016	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**1.25 %**	**1.10 %**	**0.91 %**
Distribution yield	**0.48 %**	**1.33 %**	**– %**
Expected volatility	**19.27 %**	**18.93 %**	**35.48 %**
Expected remaining life	**4.0 years**	**3.0 years**	**1.9 years**

December 31, 2015	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	0.95 %	0.80 %	0.68 %
Distribution yield	0.42 %	1.50 %	– %
Expected volatility	20.88 %	19.30 %	67.83 %
Expected remaining life	5.0 years	3.6 years	1.8 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

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

24. STOCK-BASED COMPENSATION PLANS (continued)

(f) Liability of vested options

As of December 31, 2016, the liability for all vested options was $7.3 million as calculated using the intrinsic value ($5.5 million as of December 31, 2015).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2016, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $23.1 million ($9.2 million in 2015, of which a net reversal of the charge of $0.3 million were presented as part of discontinued operations).

25. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2014	$ (29.2)	$ (35.2)	$ (64.4)
Other comprehensive loss	(23.3)	(16.2)	(39.5)
Non-controlling interests acquisition	(5.1)	(2.2)	(7.3)
Balance as of December 31, 2015	(57.6)	(53.6)	(111.2)
Other comprehensive (loss) income	(12.2)	17.3	5.1
Balance as of December 31, 2016	**$ (69.8)**	**$ (36.3)**	**$ (106.1)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/2-year period.

26. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, capital equipment, broadcasting rights, and to pay royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2017	$ 48.7	$ 197.7
2018 to 2021	99.8	477.3
2022 and thereafter	80.6	528.8

The Corporation’s operating lease expenses amounted to $62.8 million in 2016 ($66.9 million in 2015, of which $6.0 million was presented as part of discontinued operations).

27. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms), and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2016, the maximum exposure with respect to these guarantees was $24.2 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

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

Outsourcing companies and suppliers

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

Other

One of the Corporation’s subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Videotron					
Less than 1 year	1.3249	$	220.2	US$	166.2
2017[1]	1.3849	US$	260.0	$	360.1

[1] *See* footnote 1 below "Cross-currency interest rate swaps" table.

(ii) Interest rate swaps

Maturity	Notional amount	Pay/ receive	Fixed rate	Floating rate
TVA Group				
2017	$ 33.0	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(iii) Cross-currency interest rate swaps

Hedged item					Hedging instrument
	Period covered		Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
5.750% Senior Notes due 2023	2016 to 2023	US$	431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$	418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$	338.6	Bankers’ acceptance 3 months + 2.77%	1.0346
Videotron					
5.000% Senior Notes due 2022	2014 to 2022	US$	543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$	256.9	5.81%	1.0016
5.375% Senior Notes due 2024[1]	2008 to 2017	US$	260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$	158.6	Bankers’ acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$	441.4	5.62%	1.1039

[1] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued in 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

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

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

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

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

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's adjusted implicit interest rate and credit premium.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2016 and 2015 are as follows:

		2016		2015
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$ (5,700.8)**	**$ (5,866.6)**	$ (5,892.5)	$ (5,894.9)
Convertible debentures[3]	**(780.0)**	**(780.0)**	(706.4)	(706.4)
Derivative financial instruments[4]				
Early settlement options	**0.4**	**0.4**	1.0	1.0
Foreign exchange forward contracts[5]	**2.5**	**2.5**	9.3	9.3
Interest rate swaps	**(0.3)**	**(0.3)**	(0.8)	(0.8)
Cross-currency interest rate swaps[5]	**806.5**	**806.5**	945.2	945.2

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $808.7 million as of December 31, 2016 ($953.7 million as of December 31, 2015).

5 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2016, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2016, 13.0% of trade receivables were 90 days past their billing date (10.4% as of December 31, 2015) of which 32.5% had an allowance for doubtful accounts (40.4% as of December 31, 2015).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2016 and 2015
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2016 and 2015:

		2016		2015
Balance at beginning of year	**$**	**23.0**	$	21.8
Charged to income		**36.1**		32.1
Utilization		**(31.0)**		(30.9)
Balance at end of year	**$**	**28.1**	$	23.0

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

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

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 6.1 years as of December 31, 2016 (7.0 years as of December 31, 2015).

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

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2016, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative instruments, less estimated future receipts on derivative instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 18.9**	$ 18.9	$ –	$ –	$ –
Accounts payable and accrued charges	**705.9**	705.9	–	–	–
Long-term debt[1]	**5,700.8**	51.8	76.0	1,277.0	4,296.0
Convertible debentures[2]	**775.5**	–	775.5	–	–
Interest payments[3]	**1,768.5**	257.3	588.6	513.3	409.3
Derivative instruments[4]	**(841.5)**	(17.9)	1.0	(98.0)	(726.6)
Total	**$ 8,128.1**	**$ 1,016.0**	**$ 1,441.1**	**$ 1,692.3**	**$ 3,978.7**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2016 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2016.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

(e) Market risk

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

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2016, to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2016 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ **2.0**	$ **43.0**
Decrease of $0.10	**(2.0)**	**(43.0)**

A variance of $0.10 in the 2016 average exchange rate of CAN dollar per one U.S. dollar would had resulted in a variance of $4.0 million on unhedged purchase of goods and services in 2016 and $6.5 million on unhedged acquisitions of tangible and intangible assets in 2016.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2016, after taking into account the hedging instruments, long-term debt was comprised of 83.2% fixed-rate debt (82.5% in 2015) and 16.8% floating-rate debt (17.5% in 2015).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2016 was $8.2 million.

The estimated sensitivity on income and on other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2016, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ **(2.4)**	$ **(37.3)**
Decrease of 100 basis points	**2.4**	**37.3**

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

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

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

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

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivative related to convertible debentures, derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2016 and 2015 is as follows:

	2016	2015
Bank indebtedness	**$ 18.9**	$ 34.3
Long-term debt	**5,668.7**	5,856.4
Embedded derivatives related to convertible debentures	**290.0**	221.7
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(808.7)**	(953.7)
Cash and cash equivalents	**(22.3)**	(18.6)
Net liabilities	**5,646.6**	5,640.1
Equity	**$ 847.2**	$ 652.0

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

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

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2016	2015
Salaries and short-term benefits	**$ 10.1**	$ 10.5
Share-based compensation	**15.1**	6.6
Other long-term benefits	**2.0**	1.5
	$ 27.2	$ 18.6

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $3.0 million in 2016 ($3.3 million in 2015). During the year ended December 31, 2016, the Corporation made no purchases and incurred no rent charges with affiliated corporations ($3.4 million in 2015, which were included in purchase of goods and services). These transactions were accounted for at the consideration agreed between parties.

30. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

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

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

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

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2016 and 2015:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,232.8**	$ 1,181.8	**$ 69.2**	$ 65.2
Service costs	**34.9**	36.4	**1.8**	1.7
Interest costs	**49.7**	49.0	**2.8**	2.7
Plan participants' contributions	**11.9**	13.1	**–**	–
Actuarial loss (gain) arising from:				
Financial assumptions	**20.8**	19.9	**1.4**	1.3
Participant experience	**(0.4)**	6.1	**–**	–
Benefits and settlements paid	**(63.1)**	(66.5)	**(1.8)**	(1.7)
Curtailment, amendments and other	**0.6**	(7.0)	**–**	–
Benefit obligations at the end of the year	**$ 1,287.2**	$ 1,232.8	**$ 73.4**	$ 69.2

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,164.8**	$ 1,115.6	**$ –**	$ –
Actual return on plan assets	**98.0**	62.2	**–**	–
Employer contributions	**35.1**	43.3	**1.8**	1.7
Plan participants' contributions	**11.9**	13.1	**–**	–
Administrative fees	**(2.3)**	(2.9)	**–**	–
Benefits and settlements paid	**(63.1)**	(66.5)	**(1.8)**	(1.7)
Fair value of plan assets at the end of the year	**$ 1,244.4**	$ 1,164.8	**$ –**	$ –

As of December 31, 2016, the weighted average duration of defined benefit obligations was 16.2 years (16.0 years in 2015). The Corporation expects future benefit payments of $65.5 million in 2017.

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

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

Plan assets are comprised of:

	2016	2015
Equity securities:		
Canadian	**23.6 %**	21.4 %
Foreign	**31.9**	33.8
Debt securities	**41.2**	42.3
Other	**3.3**	2.5
	100.0 %	100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

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

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

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Benefit obligations	**$ (1,287.2)**	$ (1,232.8)	**$ (73.4)**	$ (69.2)
Fair value of plan assets	**1,244.4**	1,164.8	**–**	–
Plan deficit	**(42.8)**	(68.0)	**(73.4)**	(69.2)
Asset limit and minimum funding adjustment	**(19.8)**	(21.7)	**–**	–
Net amount recognized[1]	**$ (62.6)**	$ (89.7)	**$ (73.4)**	$ (69.2)

[1] The net amount recognized for 2016 consists of an asset of $8.9 million included in Other assets (note 17) (none in 2015) and a liability of $144.9 million included in "Other Liabilities" (note 22) ($158.9 million in 2015).

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

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Actuarial loss on benefit obligations	**$ (20.4)**	$ (26.0)	**$ (1.4)**	$ (1.3)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**51.8**	16.2	**–**	–
Asset limit and minimum funding adjustment	**2.8**	(17.3)	**–**	–
Re-measurements gain (loss) recorded in other comprehensive income	**$ 34.2**	$ (27.1)	**$ (1.4)**	$ (1.3)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Employee costs:				
Service costs	**$ 34.9**	$ 36.4	**$ 1.8**	$ 1.7
Administrative fees, curtailment and other	**3.0**	(2.8)	**–**	–
Interest on net defined benefit liability	**4.4**	3.5	**2.8**	2.4
Net benefit costs[1]	**$ 42.3**	$ 37.1	**$ 4.6**	$ 4.1

[1] Net benefit gains of $6.0 million in 2015 were presented as part of discontinued operations.

The expense related to defined contribution pension plans amounted to $16.8 million in 2016 ($16.0 million in 2015).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $30.5 million in 2017, based on the most recent financial actuarial reports filed (contributions of $36.9 million were paid in 2016).

Assumptions

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

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

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2016 and 2015 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2016	2015	**2016**	2015
Benefit obligations				
Rates as of year-end:				
Discount rate	**3.90 %**	4.00 %	**3.90 %**	4.00 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**4.00 %**	4.10 %	**4.00 %**	4.10 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00

The assumed average retirement age of participants used was of 62 years in 2016 and 2015.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 6.5 % at the end of 2016. These costs, as per the estimate, are expected to decrease gradually over the next 8 years to 4.5% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $19.8 million and the postretirement benefits obligation by $1.5 million as of December 31, 2016. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

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

31. DISCONTINUED OPERATIONS

In February 2015, the Corporation closed its specialty channel, SUN News.

On April 13, 2015, the Corporation completed the sale, initially announced on October 6, 2014, of all of its English-language newspaper operations in Canada, consisting of more than 170 newspapers and publications, the Canoe English-language portal and 8 printing plants, including the Islington, Ontario plant, for a cash consideration consisting of $305.5 million, less cash disposed of $1.9 million. An amount of $1.3 million was also paid as an adjustment related to working capital items.

On September 27, 2015, the Corporation completed the sale of Archambault Group Inc.'s retail operations, consisting of the 14 Archambault stores, the archambault.ca website, and the English-language Paragraphe Bookstore, for a cash consideration consisting of $14.5 million, less cash disposed of $1.1 million, and a balance of $3.0 million received in 2016.

The results of operations and cash flows related to those businesses were reclassified as discontinued operations in the consolidated statements of income, comprehensive income and cash flows as follows:

Consolidated statements of income and comprehensive income

		2015
Revenues	$	194.1
Employee costs		54.3
Purchase of goods and services		133.2
Depreciation and amortization		2.0
Financial expenses		0.2
Restructuring of operations and other items		23.9
Loss before income taxes		(19.5)
Current income taxes		(1.1)
Deferred income taxes		(2.3)
Loss on disposal of businesses		(3.6)
Loss and comprehensive loss from discontinued operations	$	(19.7)

Consolidated statements of cash flows

		2015
Cash flows related to operating activities	$	(21.3)
Cash flows related to investing activities		(1.2)
Cash flows used in discontinued operations	$	(22.5)

This is Exhibit 47 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2017 and 2016

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pierre Karl Péladeau
President and Chief Executive Officer

Jean-François Pruneau
Senior Vice President and Chief Financial Officer

Montréal, Canada

March 13, 2018

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

We have audited the accompanying consolidated financial statements of Quebecor Inc., which comprise the consolidated balance sheets as at December 31, 2017 and 2016 and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quebecor Inc. as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 in accordance with International Financial Reporting Standards.

Ernst & Young s.r.l./S.E.N.C.R.L.[1]

Montréal, Canada

March 13, 2018

[1] FCPA auditor, FCA. Public accountancy permit no. A107913

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars, except earnings per share data)

	Note	2017	2016
Revenues	2	**$ 4,122.4**	$ 4,016.6
Employee costs	3	**712.1**	714.8
Purchase of goods and services	3	**1,816.9**	1,807.7
Depreciation and amortization		**712.4**	653.0
Financial expenses	4	**309.0**	328.0
Loss on valuation and translation of financial instruments	5	**199.8**	70.3
Restructuring of operations, litigation, and other items	6	**17.2**	28.0
Gain on sale of spectrum licences	7	**(330.9)**	–
Impairment of goodwill and other assets	8	**43.8**	40.9
Loss on debt refinancing	9	**15.6**	7.3
Income before income taxes		**626.5**	366.6
Income taxes (recovery):			
Current	10	**8.8**	158.2
Deferred	10	**129.2**	(40.4)
		138.0	117.8
Income from continuing operations		**488.5**	248.8
Income from discontinued operations		**14.6**	–
Net income		**$ 503.1**	$ 248.8
Income from continuing operations attributable to			
Shareholders		**$ 357.8**	$ 194.7
Non-controlling interests		**130.7**	54.1
Net income attributable to			
Shareholders		**$ 369.7**	$ 194.7
Non-controlling interests		**133.4**	54.1
Earnings per share attributable to shareholders	11		
Basic:			
From continuing operations		**$ 1.48**	$ 0.80
From discontinued operations		**0.05**	–
Net income		**1.53**	0.80
Diluted:			
From continuing operations		**1.47**	0.79
From discontinued operations		**0.05**	–
Net income		**1.52**	0.79
Weighted average number of shares outstanding (in millions)		**241.8**	244.6
Weighted average number of diluted shares (in millions)		**242.1**	245.4

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Note		2017		2016
Income from continuing operations		**$**	**488.5**	$	248.8
Other comprehensive income from continuing operations:					
Items that may be reclassified to income:					
Cash flows hedges:					
Gain (loss) on valuation of derivative financial instruments			**43.7**		(30.9)
Deferred income taxes			**28.0**		15.9
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement (loss) gain	31		**(3.8)**		32.8
Deferred income taxes			**1.0**		(8.8)
			68.9		9.0
Comprehensive income from continuing operations			**557.4**		257.8
Income from discontinued operations			**14.6**		–
Comprehensive income		**$**	**572.0**	$	257.8
Comprehensive income from continuing operations attributable to					
Shareholders		**$**	**413.6**	$	199.8
Non-controlling interests			**143.8**		58.0
Comprehensive income attributable to					
Shareholders		**$**	**425.5**	$	199.8
Non-controlling interests			**146.5**		58.0

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 24)			(note 26)		
Balance as of December 31, 2015	$ 325.6	$ 2.3	$ 82.2	$ (111.2)	$ 353.1	$ 652.0
Net income	–	–	194.7	–	54.1	248.8
Other comprehensive income	–	–	–	5.1	3.9	9.0
Dividends or distributions	–	–	(20.8)	–	(19.1)	(39.9)
Repurchase of Class B Shares	(2.3)	–	(20.4)	–	–	(22.7)
Balance as of December 31, 2016	323.3	2.3	235.7	(106.1)	392.0	847.2
Net income	–	–	369.7	–	133.4	503.1
Other comprehensive income	–	–	–	55.8	13.1	68.9
Issuance of Class B Shares	1.1	1.2	–	–	–	2.3
Dividends or distributions	–	–	(25.3)	–	(18.7)	(44.0)
Repurchase of Class B Shares	(10.5)	–	(117.0)	–	–	(127.5)
Non-controlling interests acquisition (note 12)	–	–	(26.6)	(0.4)	(16.9)	(43.9)
Balance as of December 31, 2017	**$ 313.9**	**$ 3.5**	**$ 436.5**	**$ (50.7)**	**$ 502.9**	**$ 1,206.1**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Note	**2017**	2016
Cash flows related to operating activities			
Income from continuing operations		**$ 488.5**	$ 248.8
Adjustments for:			
Depreciation of property, plant and equipment	15	**607.6**	555.1
Amortization of intangible assets	16	**104.8**	97.9
Loss on valuation and translation of financial instruments	5	**199.8**	70.3
Gain on sale of spectrum licences	7	**(330.9)**	–
Impairment of goodwill and other assets	8	**43.8**	40.9
Loss on debt refinancing	9	**15.6**	7.3
Amortization of financing costs and long-term debt discount	4	**7.1**	7.1
Deferred income taxes	10	**129.2**	(40.4)
Other		**4.1**	3.2
		1,269.6	990.2
Net change in non-cash balances related to operating activities		**(98.5)**	122.8
Cash flows provided by continuing operating activities		**1,171.1**	1,113.0
Cash flows related to investing activities			
Non-controlling interests acquisitions	12	**(43.9)**	–
Business acquisitions	12	**(5.8)**	(119.5)
Business disposals		**–**	3.0
Additions to property, plant and equipment	15	**(605.6)**	(707.8)
Additions to intangible assets	16	**(141.9)**	(139.8)
Proceeds from disposals of assets	7	**620.7**	4.3
Other		**(10.6)**	12.6
Cash flows used in continuing investing activities		**(187.1)**	(947.2)
Cash flows related to financing activities			
Net change in bank indebtedness		**(18.1)**	(15.4)
Net change under revolving facilities		**(33.7)**	(64.5)
Issuance of long-term debt, net of financing fees	21	**844.0**	–
Repayment of long-term debt	9	**(695.6)**	(20.0)
Repayment of convertible debentures	22	**(95.2)**	–
Settlement of hedging contracts		**16.6**	0.4
Issuance of Class B Shares	24	**1.1**	–
Repurchase of Class B Shares	24	**(127.5)**	(22.7)
Dividends		**(25.3)**	(20.8)
Dividends or distributions paid to non-controlling interests		**(18.7)**	(19.1)
Cash flows used in continuing financing activities		**(152.4)**	(162.1)
Net change in cash and cash equivalents from continuing operations		**$ 831.6**	$ 3.7

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Note	2017	2016
Net change in cash and cash equivalents from continuing operations		**$ 831.6**	$ 3.7
Cash flows provided by discontinued operations		**11.0**	–
Cash and cash equivalents at the beginning of the year		**22.3**	18.6
Cash and cash equivalents at the end of the year		**$ 864.9**	$ 22.3
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash		**$ 863.2**	$ 21.5
Cash equivalents		**1.7**	0.8
		$ 864.9	$ 22.3
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)			
Accounts receivable		**$ (17.9)**	$ (34.5)
Inventories		**(3.2)**	24.7
Accounts payable, accrued charges and provisions		**(25.7)**	40.9
Income taxes		**(44.8)**	51.4
Deferred revenues		**(1.7)**	14.0
Defined benefit plans		**6.8**	10.0
Other		**(12.0)**	16.3
		$ (98.5)	$ 122.8
Non-cash investing activities			
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$ 21.8**	$ (6.2)
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 292.9**	$ 308.6
Cash income tax payments (net of refunds)		**58.7**	104.4

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2017 and 2016
(in millions of Canadian dollars)

	Note	**2017**	2016
Assets			
Current assets			
Cash and cash equivalents		**$ 864.9**	$ 22.3
Accounts receivable	13	**543.4**	525.4
Income taxes		**29.3**	6.9
Inventories	14	**188.1**	183.3
Prepaid expenses		**63.9**	53.0
		1,689.6	790.9
Non-current assets			
Property, plant and equipment	15	**3,594.6**	3,605.1
Intangible assets	16	**983.1**	1,224.0
Goodwill	17	**2,695.8**	2,725.4
Derivative financial instruments	29	**591.8**	809.0
Deferred income taxes	10	**33.2**	16.0
Other assets	18	**97.7**	91.9
		7,996.2	8,471.4
Total assets		**$ 9,685.8**	$ 9,262.3

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2017 and 2016
(in millions of Canadian dollars)

	Note	**2017**	2016
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 0.8**	$ 18.9
Accounts payable and accrued charges	19	**738.7**	705.9
Provisions	20	**25.4**	69.3
Deferred revenue		**346.8**	339.7
Income taxes		**13.3**	35.2
Convertible debentures	22	**450.0**	–
Embedded derivatives related to convertible debentures	22	**442.2**	–
Current portion of long-term debt	21	**20.4**	51.8
		2,037.6	1,220.8
Non-current liabilities			
Long-term debt	21	**5,516.2**	5,616.9
Derivative financial instruments	29	**34.1**	0.3
Convertible debentures	22	**–**	500.0
Other liabilities	23	**215.8**	516.2
Deferred income taxes	10	**676.0**	560.9
		6,442.1	7,194.3
Equity			
Capital stock	24	**313.9**	323.3
Contributed surplus		**3.5**	2.3
Retained earnings		**436.5**	235.7
Accumulated other comprehensive loss	26	**(50.7)**	(106.1)
Equity attributable to shareholders		**703.2**	455.2
Non-controlling interests		**502.9**	392.0
		1,206.1	847.2
Commitments and contingencies	20, 27		
Guarantees	28		
Total liabilities and equity		**$ 9,685.8**	$ 9,262.3

See accompanying notes to consolidated financial statements.

On March 13, 2018, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2017 and 2016.

On behalf of the Board of Directors,

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

Jean La Couture
Director

QUEBECOR INC.
SEGMENTED INFORMATION

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. (“Quebecor Media”) refers to Quebecor Media Inc. and its subsidiaries. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media and in subsidiaries controlled by Quebecor Media. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	81.5 %	81.5 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions (including data centers), cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the distribution of movies, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

In 2017, the Corporation changed its organisational structure and as a result, the book publishing and distribution activities, as well as the music production and distribution activities that were previously presented with the Media segment are now presented with the Sports and Entertainment segment. Prior period figures in the Corporation’s segmented information have been reclassified to reflect these changes.

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

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Telecommunications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2017
Revenues	**$ 3,285.1**	**$ 769.9**	**$ 181.3**	**$ (113.9)**	**$ 4,122.4**
Employee costs	**388.8**	**232.0**	**37.6**	**53.7**	**712.1**
Purchase of goods and services	**1,362.3**	**468.6**	**137.5**	**(151.5)**	**1,816.9**
Adjusted operating income[1]	**1,534.0**	**69.3**	**6.2**	**(16.1)**	**1,593.4**
Depreciation and amortization					**712.4**
Financial expenses					**309.0**
Loss on valuation and translation of financial instruments					**199.8**
Restructuring of operations, litigation and other items					**17.2**
Gain on sale of spectrum licences					**(330.9)**
Impairment of goodwill and other assets					**43.8**
Loss on debt refinancing					**15.6**
Income before income taxes					**$ 626.5**
Additions to property, plant and equipment	**$ 574.4**	**$ 29.4**	**$ 1.3**	**$ 0.5**	**$ 605.6**
Additions to intangible assets	**132.3**	**3.3**	**4.3**	**2.0**	**141.9**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2017 and 2016
(in millions of Canadian dollars)

	Telecommunications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2016
Revenues	$ 3,151.8	$ 789.2	$ 185.0	$ (109.4)	$ 4,016.6
Employee costs	379.7	242.4	38.3	54.4	714.8
Purchase of goods and services	1,322.7	492.9	144.4	(152.3)	1,807.7
Adjusted operating income[1]	1,449.4	53.9	2.3	(11.5)	1,494.1
Depreciation and amortization					653.0
Financial expenses					328.0
Loss on valuation and translation of financial instruments					70.3
Restructuring of operations, litigation and other items					28.0
Impairment of goodwill and other assets					40.9
Loss on debt refinancing					7.3
Income before income taxes					$ 366.6
Additions to property, plant and equipment	$ 666.8	$ 37.2	$ 3.5	$ 0.3	$ 707.8
Additions to intangible assets	125.6	7.5	3.5	3.2	139.8

[1] The Chief Executive Officer uses adjusted operating income as the measure of profit to assess the performance of each segment. Adjusted operating income is referred to as a non-International Financial Reporting Standards ("IFRS") measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and other assets, loss on debt refinancing, income taxes and income from discontinued operations.

See accompanying notes to consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

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

Comparative figures for the year ended December 31, 2016 have been restated to conform to the presentation adopted for the year ended December 31, 2017.

(b) Consolidation

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

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

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

(c) Business combinations

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

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to shareholders, and are initially measured at fair value.

(d) Foreign currency translation

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under “Deferred revenue” when customers are invoiced.

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony and over-the-top video service, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

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

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video service are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;
- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Media

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

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets

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

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

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

(g) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

For the year ended December 31, 2017, the Corporation recorded $12.2 million of barter advertising revenues ($11.7 million in 2016).

(h) Income taxes

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statement of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and then recognized evenly over the lease term.

(j) Financial instruments

Classification, recognition and measurement

Financial instruments are classified as held-for-trading, available-for-sale, loans and receivables, or as other financial liabilities, and measurement in subsequent periods depends on their classification. The Corporation has classified its financial instruments (except derivative financial instruments) as follows:

Held-for-trading	**Loans and receivables**	**Available-for-sale**	**Other liabilities**
• Cash and cash equivalents • Bank indebtedness • Exchangeable debentures included in “Other Liabilities”	• Accounts receivable • Loans and other long-term receivables included in “Other Assets”	• Other portfolio investments included in “Other Assets”	• Accounts payable and accrued charges • Long-term debt • Convertible debentures • Other long-term financial liabilities included in “Other Liabilities”

Financial instruments held-for-trading are measured at fair value with changes recognized in income as a gain or loss on valuation and translation of financial instruments. Available-for-sale portfolio investments are measured at fair value or at cost in the case of equity investments that do not have a quoted market price in an active market and where fair value is insufficiently reliable, and changes in fair value are recorded in other comprehensive income. Financial assets classified as loans and receivables and financial liabilities classified as “Other liabilities” are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method of amortization. Liabilities recognized as a result of contingent consideration arising from a business acquisition and included in “Other liabilities”, are initially recorded at their acquisition-date fair value and re-measured at fair value in subsequent periods. These changes in fair value are recorded in the consolidated statements of income as other items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Derivative financial instruments and hedge accounting

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

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

(k) Financing fees

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

(l) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are met.

(m) Cash and cash equivalents

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

(n) Trade receivables

Trade receivables are stated at their nominal value, less an allowance for doubtful accounts and an allowance for sales returns. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. Individual accounts receivables are written off when management deems them not collectible.

(o) Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories (continued)

In particular, inventories related to broadcasting activities, which primarily comprise programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are classified as current or long-term assets, based on management's estimate of the broadcast or distribution period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated. Broadcast and distribution rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

Estimates of future revenues used to determine the net realizable values of inventories related to the broadcasting or distribution of television products and movies are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, broadcast rights and distribution rights is reduced to the net realizable value, as necessary, based on this assessment.

(p) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statement of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Property, plant and equipment

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

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

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

Assets	Estimated useful life
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

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

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

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

(r) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. When the Corporation acquires less than 100% of the equity interests in the business acquired at the acquisition date, goodwill attributable to the non-controlling interests is also recognized at fair value.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets (continued)

Intangible assets

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

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

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

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

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

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

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

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

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

(s) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Stock-based compensation

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

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 25.

(u) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Pension plans and postretirement benefits (continued)

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

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

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

(v) Convertible debentures

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

(w) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 17.

(ii) Fair value of derivative financial instruments, including embedded derivatives

Derivative financial instruments must be accounted for at their fair value, which is estimated using valuation models based on a number of assumptions such as future cash flows, period-end swap rates, foreign exchange rates, and credit default premium. Also, the fair value of embedded derivatives related to convertible debentures and to early settlement options on debt is determined with option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium. The assumptions used in the valuation models have a significant impact on the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, the gain or loss on valuation of financial instruments recorded in the consolidated statements of comprehensive income, and the carrying value of derivative financial instruments in the consolidated balance sheets. A description of valuation models used and sensitivity analysis on key assumptions are presented in note 29.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgments (continued)

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

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

(iv) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect on the consolidated financial statements of the possible outcomes of legal disputes, is presented in note 20.

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

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

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

(ii) Indefinite useful life of spectrum licences

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

(iii) CGU's determination for the purpose of impairment tests

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets. In identifying assets to group in CGUs, the Corporation considers, among other factors, offering bundled services, sharing telecommunication or broadcasting network infrastructure, integration of media assets, geographical proximity, similarity on exposure to market risk, and materiality. The determination of CGUs could affect the results of impairment tests and, as the case may be, the impairment charge recorded in the consolidated statements of income.

(iv) Determination if early settlement options are not closely related to their debt contract

Early settlement options are not considered closely related to their debt contract when the corresponding option exercise price is not approximately equal to the amortized cost of the debt. Judgment is therefore required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Use of estimates and judgments (continued)

(v) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

(x) Recent accounting pronouncements

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018.

On January 1, 2018, the Corporation will adopt the new rules under IFRS 9 which simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

The adoption of IFRS 9 will have no material impact on the consolidated financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018.

On January 1, 2018, the Corporation will adopt on a fully retrospective basis the new rules under IFRS 15 which specify how and when an entity should recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The adoption of IFRS 15 will have significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regards to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as costs to obtain a contract and connection costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile devices and services under contracts with multiple deliverables and for a fixed period of time. Under IFRS 15, promotional offers related to the sale of mobile devices previously accounted for as a reduction in related equipment sales on activation, now need to be considered in the total consideration to be allocated to all performance obligations. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of these revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same as under the previous rules. The portion of revenues that is earned without having been invoiced will be presented as contract assets in the consolidated balance sheets. All other types of revenues have not been impacted by the adoption of IFRS 15.

In addition, under IFRS 15, certain costs, mainly sales commissions, to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues as it is under the current rules. These capitalized costs will be included in “Other Assets” as contract costs in the consolidated balance sheet.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Recent accounting pronouncements (continued)

(ii) IFRS 15 – *Revenue from Contracts with Customers* (continued)

The retroactive adoption of IFRS 15 will have the following impacts on the 2017 and 2016 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		**2017**		2016
Revenues	**$**	**22.4**	$	52.5
Purchase of goods and services		**(12.4)**		(13.2)
Deferred income tax expense		**9.2**		17.4
Net income and comprehensive income	**$**	**25.6**	$	48.3
Net income and comprehensive income attributable to:				
Shareholders	**$**	**20.8**	$	39.2
Non-controlling interests		**4.8**		9.1
Earnings per share attributable to shareholders	**$**	**0.09**	$	0.16

Consolidated balance sheets

Increase (decrease)		**December 31, 2017**		December 31, 2016
Contract assets	**$**	**183.6**	$	155.8
Other assets		**92.5**		85.4
Deferred income tax liability		**73.2**		63.9
Retained earnings		**165.4**		143.7
Non-controlling interests		**37.5**		33.6

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Recent accounting pronouncements (continued)

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided that the IFRS 15 is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment. However, the adoption impacts on the consolidated financial statements have not yet been measured.

2. REVENUES

The breakdown of revenues between services rendered and product sales is as follows:

	2017	2016
Services rendered	**$ 3,792.7**	$ 3,668.2
Product sales	**329.7**	348.4
	$ 4,122.4	$ 4,016.6

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2017	2016
Employee costs	**$ 899.5**	$ 898.1
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(187.4)**	(183.3)
	712.1	714.8
Purchase of goods and services:		
Royalties, rights and creation costs	**677.9**	701.9
Cost of products sold	**373.7**	352.4
Service contracts	**172.3**	168.7
Marketing, circulation and distribution expenses	**108.9**	113.8
Building expenses	**93.8**	87.0
Other	**390.3**	383.9
	1,816.9	1,807.7
	$ 2,529.0	$ 2,522.5

4. FINANCIAL EXPENSES

	2017	2016
Interest on long-term debt and on debentures	**$ 299.4**	$ 311.9
Amortization of financing costs and long-term debt discount	**7.1**	7.1
Interest on net defined benefit liability	**6.3**	7.2
(Gain) loss on foreign currency translation on short-term monetary items	**(2.0)**	0.5
Other	**(1.8)**	1.3
	$ 309.0	$ 328.0

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

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2017	2016
Loss on embedded derivatives related to convertible debentures	**$ 197.4**	$ 68.2
Loss on the ineffective portion of fair value hedges	**3.0**	2.0
Loss on the ineffective portion of cash flow hedges	**–**	0.1
Gain on embedded derivatives related to long-term debt	**(0.6)**	(0.2)
Loss on reversal of embedded derivatives on debt redemption	**–**	0.2
	$ 199.8	$ 70.3

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

In 2017, a net charge of $17.2 million was recorded relating to various cost reduction across the Corporation, the migration of subscribers from analog to digital services in the Telecommunications segment and developments in certain legal disputes (a net charge of $28.0 million in 2016).

7. GAIN ON SALE OF SPECTRUM LICENCES

On June 20, 2017, Videotron sold its AWS spectrum licence in the greater Toronto region to Rogers Communications Canada Inc. for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. The sale resulted in a gain on disposal of $87.8 million.

On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw Communications Inc. for a cash consideration of $430.0 million. The sale resulted in a gain on disposal of $243.1 million.

As a result of these transactions, tax benefits of $31.8 million, on previous years' capital losses, were recognized in the consolidated statement of income in 2017.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. IMPAIRMENT OF GOODWILL AND OTHER ASSETS

	2017	2016
Impairment of goodwill	**$ 30.0**	$ 40.1
Impairment of intangible assets	**13.8**	0.8
	$ 43.8	$ 40.9

2017

During the third quarter of 2017, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of $30.0 million (including $1.5 million without any tax consequence) and an impairment charge of $12.4 million on intangible assets (including $3.1 million without any tax consequence).

An impairment charge on intangible assets of $1.4 million was also recorded in 2017 in other segments.

2016

During the third quarter of 2016, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in advertising revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of $40.1 million (without any tax consequence).

An impairment charge on intangible assets of $0.8 million was also recorded in 2016 in other segments.

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

9. LOSS ON DEBT REFINANCING

2017

- On May 1, 2017, Videotron redeemed all of its issued and outstanding 6.875% Senior Notes due July 15, 2021, in aggregate principal amount of $125.0 million, for a cash consideration of $129.3 million.
- On May 1, 2017, Quebecor Media redeemed all of its issued and outstanding 7.375% Senior Notes due January 15, 2021, in aggregate principal amount of $325.0 million, for a cash consideration of $333.0 million.

These transactions resulted in a total loss of $15.6 million in 2017.

2016

- On December 2, 2016, Videotron issued a notice for the redemption of an aggregate principal amount of $175.0 million of its issued and outstanding 6.875% Senior Notes due July 15, 2021. On January 5, 2017, the Senior Notes were redeemed for a cash consideration of $181.0 million.

This transaction resulted in a loss of $7.3 million in 2016.

10. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.8% in 2017 (26.9% in 2016) and income taxes in the consolidated statements of income:

	2017	2016
Income taxes at domestic statutory tax rate	**$ 167.9**	$ 98.6
Increase (reduction) resulting from:		
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**4.4**	19.4
Change in benefit arising from the recognition of current and prior year tax losses (note 7)	**(34.4)**	(0.5)
Change in deferred tax balances due to a change in substantively enacted tax rates	**–**	(6.7)
Non-deductible impairment of goodwill	**0.4**	10.8
Other	**(0.3)**	(3.8)
Income taxes	**$ 138.0**	$ 117.8

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

10. INCOME TAXES (continued)

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

	Consolidated balance sheets		Consolidated income statements	
	2017	2016	**2017**	2016
Loss carryforwards	**$ 90.4**	$ 103.8	**$ 13.4**	$ 1.8
Accounts payable, accrued charges, provisions and deferred revenue	**17.7**	20.6	**2.9**	(6.0)
Defined benefit plans	**38.8**	35.9	**(1.9)**	(1.9)
Property, plant and equipment	**(498.0)**	(412.9)	**85.1**	11.7
Goodwill, intangible assets and other assets	**(174.7)**	(132.6)	**42.1**	22.7
Long-term debt, derivative financial instruments and exchangeable debentures	**(125.7)**	(161.1)	**(7.4)**	(1.3)
Benefits from a general partnership	**–**	(0.6)	**(0.6)**	(67.0)
Other	**8.7**	2.0	**(4.4)**	(0.4)
	$ (642.8)	$ (544.9)	**$ 129.2**	$ (40.4)

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

	Note	**2017**	2016
Balance at beginning of year		**$ (544.9)**	$ (584.2)
Recognized in income as continuing operations		**(129.2)**	40.4
Recognized in income as discontinued operations		**2.9**	–
Recognized in other comprehensive income		**29.0**	7.1
Business acquisitions and disposals	12	**–**	(7.5)
Other		**(0.6)**	(0.7)
Balance at end of year		**$ (642.8)**	$ (544.9)
Deferred income tax asset		**$ 33.2**	$ 16.0
Deferred income tax liability		**(676.0)**	(560.9)
		$ (642.8)	$ (544.9)

As of December 31, 2017, the Corporation had loss carryforwards for income tax purposes of $23.5 million available to reduce future taxable income, that will expire between 2035 and 2037. These losses have been recognized. The Corporation also had capital losses of $772.6 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

There are no income tax consequences attached to the payment of dividends in 2017 or 2016 by the Corporation to its shareholders.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2017	2016
Income from continuing operations attributable to shareholders	**$ 357.8**	$ 194.7
Impact of assumed conversion of stock options of subsidiaries	**(1.1)**	(0.5)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 356.7**	$ 194.2
Net income attributable to shareholders	**$ 369.7**	$ 194.7
Impact of assumed conversion of stock options of subsidiaries	**(1.1)**	(0.5)
Net income attributable to shareholders, adjusted for dilution effect	**$ 368.6**	$ 194.2
Weighted average number of shares outstanding (in millions)	**241.8**	244.6
Potentially dilutive effect of stock options of the Corporation	**0.3**	0.8
Weighted average number of diluted shares outstanding (in millions)	**242.1**	245.4

During the year ended December 31, 2017, 60,000 options of TVA Group Inc.'s ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (357,632 options of TVA Group's plan were excluded in 2016).

The diluted earnings per share calculation also does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2017 and 2016 since their impact is anti-dilutive.

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

2017

- In conjunction with the sale of its AWS spectrum licence on June 20, 2017 (note 7), and in accordance with the provisions of the share repurchase agreement dated September 2015 between Quebecor Media and CDP Capital d'Amérique Investissement inc. ("CDP Capital"), Quebecor Media repurchased and cancelled, on July 6, 2017, 541,899 of its Common Shares held by CDP Capital for an amount of $37.7 million. On the same day, Quebecor Media also paid off a security held by CDP Capital for an amount of $6.2 million. This transaction resulted in an increase in the Corporation's interest in Quebecor Media from 81.1% to 81.5% and was accounted for as an equity transaction. Accordingly, the $27.0 million excess of the shares repurchase value and the security payment over the carrying value of non-controlling interests acquired, in the amount of $16.9 million, was recorded as a $26.6 million reduction in retained earnings and as a $0.4 million increase in accumulated other comprehensive loss.

(b) Business acquisitions

2017

- In 2017, the Corporation acquired a business, included in the Sports and Entertainment segment, for a cash consideration of $0.2 million.

2016

- On January 7, 2016, Videotron acquired Fibrenoire inc., a company that provides businesses with fibre-optic connectivity services, for a purchase price of $125.0 million. At closing, Videotron paid an amount of $119.1 million, net of cash acquired of $1.8 million. A post-closing adjustment of $0.2 million was received in the second quarter of 2016. The purchase price balance was paid in February 2017 for an amount of $5.6 million plus interests of $0.3 million.
- An amount of $0.6 million was also paid in 2016 relating to balances payable on prior business acquisitions.

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

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS (continued)

(b) Business acquisitions (continued)

The purchase price allocation between the fair value of identifiable assets and liabilities related to business acquisitions in 2016 is summarized as follows:

	2016
Assets acquired	
Non-cash current assets	$ 5.5
Property, plant and equipment	32.7
Intangible assets	15.6
Goodwill	87.1
Other assets	–
	140.9
Liabilities assumed	
Non-cash current liabilities	(3.1)
Deferred income taxes	(7.5)
Other long-term liabilities	(5.7)
	(16.3)
Net assets acquired at fair value	124.6
Non-controlling interests	–
	$ 124.6
Consideration	
Cash	$ 119.0
Balance payable	5.6
	$ 124.6

No amount of goodwill is deductible for tax purposes in 2017 ($0.1 million in 2016).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. ACCOUNTS RECEIVABLE

	Note	**2017**	2016
Trade	29(c)	**$ 486.4**	$ 466.2
Other		**57.0**	59.2
		$ 543.4	$ 525.4

14. INVENTORIES

	2017	2016
Raw materials and supplies	**$ 20.3**	$ 23.5
Finished goods	**87.6**	81.8
Programs, broadcast and distribution rights	**78.2**	76.2
Work in progress	**2.0**	1.8
	$ 188.1	$ 183.3

Cost of inventories included in purchase of goods and services amounted to $718.8 million in 2017 ($737.7 million in 2016). Write-downs of inventories totalling $11.1 million were recognized in purchase of goods and services in 2017 ($6.8 million in 2016).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2017 and 2016, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Cost					
Balance as of December 31, 2015	$ 566.7	$ 1,521.9	$ 5,193.8	$ 74.6	$ 7,357.0
Additions	79.4	188.1	341.0	99.3	707.8
Net change in additions financed with accounts payable	–	(3.3)	10.5	(4.4)	2.8
Business acquisitions (note 12)	0.5	0.3	31.9	–	32.7
Reclassification	–	10.2	66.6	(76.8)	–
Retirement, disposals and other	(4.8)	(53.6)	(94.7)	(0.2)	(153.3)
Balance as of December 31, 2016	641.8	1,663.6	5,549.1	92.5	7,947.0
Additions	39.7	145.5	364.4	56.0	605.6
Net change in additions financed with accounts payable	–	(2.0)	(3.4)	1.0	(4.4)
Reclassification	–	14.4	90.1	(104.5)	–
Retirement, disposals and other	(0.1)	(70.3)	(98.4)	1.2	(167.6)
Balance as of December 31, 2017	**$ 681.4**	**$ 1,751.2**	**$ 5,901.8**	**$ 46.2**	**$ 8,380.6**

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2015	$ 206.8	$ 930.5	$ 2,794.8	$ –	$ 3,932.1
Depreciation	20.6	207.4	327.1	–	555.1
Retirement, disposals and other	(1.8)	(49.6)	(93.9)	–	(145.3)
Balance as of December 31, 2016	225.6	1,088.3	3,028.0	–	4,341.9
Depreciation	24.5	199.1	384.0	–	607.6
Retirement, disposals and other	(0.2)	(65.7)	(97.6)	–	(163.5)
As of December 31, 2017	**$ 249.9**	**$ 1,221.7**	**$ 3,314.4**	**$ –**	**$ 4,786.0**
Net carrying amount					
As of December 31, 2016	$ 416.2	$ 575.3	$ 2,521.1	$ 92.5	$ 3,605.1
As of December 31, 2017	**$ 431.5**	**$ 529.5**	**$ 2,587.4**	**$ 46.2**	**$ 3,594.6**

In 2017, the calculation of the depreciation of a component of the Corporation's telecommunication networks was changed in order to depreciate it over its useful life of 5 years, compared with 15 years previously. As a result, depreciation was increased by $21.0 million in 2017.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS

For the years ended December 31, 2017 and 2016, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Cost						
Balance as of December 31, 2015	$ 1,006.9	$ 708.1	$ 118.2	$ 120.1	$ 29.3	$ 1,982.6
Additions	–	108.8	2.8	–	28.2	139.8
Net change in additions financed with accounts payable	–	(7.0)	–	–	(2.0)	(9.0)
Business acquisitions (note 12)	–	0.5	10.3	4.8	–	15.6
Reclassification	–	30.4	–	–	(30.4)	–
Retirement, disposals and other	–	(29.8)	(15.0)	–	–	(44.8)
Balance as of December 31, 2016	1,006.9	811.0	116.3	124.9	25.1	2,084.2
Additions	–	77.7	2.4	–	61.8	141.9
Net change in additions financed with accounts payable	–	13.9	–	–	12.3	26.2
Reclassification	–	32.1	–	–	(32.1)	–
Retirement, disposals and other (note 7)	(283.4)	(7.6)	(2.8)	–	(2.3)	(296.1)
Balance as of December 31, 2017	**$ 723.5**	**$ 927.1**	**$ 115.9**	**$ 124.9**	**$ 64.8**	**$ 1,956.2**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Accumulated amortization and impairment losses						
Balance as of December 31, 2015	$ 247.7	$ 405.2	$ 49.1	$ 102.6	$ –	$ 804.6
Amortization	–	84.7	13.2	–	–	97.9
Impairment losses (note 8)	–	–	0.8	–	–	0.8
Retirement, disposals and other	–	(28.1)	(15.0)	–	–	(43.1)
Balance as of December 31, 2016	247.7	461.8	48.1	102.6	–	860.2
Amortization	–	93.0	11.8	–	–	104.8
Impairment losses (note 8)	–	1.4	4.4	8.0	–	13.8
Retirement, disposals and other	–	(2.9)	(2.8)	–	–	(5.7)
Balance as of December 31, 2017	**$ 247.7**	**$ 553.3**	**$ 61.5**	**$ 110.6**	**$ –**	**$ 973.1**
Net carrying amount						
As of December 31, 2016	$ 759.2	$ 349.2	$ 68.2	$ 22.3	$ 25.1	$ 1,224.0
As of December 31, 2017	**$ 475.8**	**$ 373.8**	**$ 54.4**	**$ 14.3**	**$ 64.8**	**$ 983.1**

The cost of internally generated intangible assets, mainly composed of software, was $566.5 million as of December 31, 2017 ($504.7 million as of December 31, 2016). For the year ended December 31, 2017, the Corporation recorded additions of internally generated intangible assets of $70.5 million ($66.0 million in 2016).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $323.3 million as of December 31, 2017 ($283.8 million as of December 31, 2016). For the year ended December 31, 2017, the Corporation recorded $44.9 million in amortization on its internally generated intangible assets ($43.8 million in 2016). The net carrying value of internally generated intangible assets was $243.2 million as of December 31, 2017 ($220.9 million as of December 31, 2016).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

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

17. GOODWILL

For the years ended December 31, 2017 and 2016, changes in the net carrying amount of goodwill are as follows:

	2017	2016
Cost		
Balance at beginning of year	**$ 5,688.2**	$ 5,601.1
Business acquisitions (note 12)	**0.4**	87.1
Balance at end of year	**5,688.6**	5,688.2
Accumulated amortization and impairment losses		
Balance at beginning of year	**2,962.8**	2,922.7
Impairment losses (note 8)	**30.0**	40.1
Balance at end of year	**2,992.8**	2,962.8
Net carrying amount	**$ 2,695.8**	$ 2,725.4

The net carrying amount of goodwill as of December 31, 2017 and 2016 was allocated to the following significant CGU groups:

CGU groups	**2017**	2016
Telecommunications	**$ 2,677.0**	$ 2,677.0
Magazines	**–**	30.0
Other[1]	**18.8**	18.4
Total	**$ 2,695.8**	$ 2,725.4

[1] Includes the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

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

17. GOODWILL (continued)

Recoverable amounts

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

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

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

	2017		2016	
CGU groups [1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**8.5 %**	**2.5 %**	8.5 %	2.5 %
Magazines	**15.5**	**(2.0)**	15.5	(1.0)
Other	**12.0 to 16.5**	**0.0 to 2.0**	12.0 to 16.5	0.0 to 2.0

[1] In 2017 and 2016, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method.

Sensitivity of recoverable amounts

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

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

18. OTHER ASSETS

	2017	2016
Programs, broadcast and distribution rights	**$ 43.1**	$ 44.7
Deferred connection costs	**10.4**	13.5
Other	**44.2**	33.7
	$ 97.7	$ 91.9

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2017	2016
Trade and accruals	**$ 516.3**	$ 495.2
Salaries and employee benefits	**144.0**	137.3
Interest payable	**53.8**	48.5
Stock-based compensation	**24.6**	24.9
	$ 738.7	$ 705.9

20. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	**Contingencies, legal disputes and other**	**Total**
Balance as of December 31, 2016	$ 3.5	$ 82.0	$ 85.5
Recognized in income	17.2	(15.8)	1.4
Payments	(14.8)	(27.9)	(42.7)
Other	–	0.5	0.5
Balance as of December 31, 2017	**$ 5.9**	**$ 38.8**	**$ 44.7**
Current portion	**$ 4.0**	**$ 21.4**	**$ 25.4**
Non-current portion (included in “Other Liabilities”)	**1.9**	**17.4**	**19.3**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions.

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

20. PROVISIONS AND CONTINGENCIES (continued)

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation's results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

Other

Other provisions are principally related to decommissioning obligations.

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2017	2017	2016
Quebecor			
Bank credit facility (i)	4.00 %	**$ 175.6**	$ –
Other loan (ii)	3.76 %	**49.8**	30.9
		225.4	30.9
Quebecor Media (iii)			
Bank credit facilities (iv)	3.66 %	**420.4**	453.4
Senior Notes (v)		**1,568.5**	1,966.3
		1,988.9	2,419.7
Videotron (iii)			
Bank credit facilities (vi)	2.95 %	**5.4**	225.5
Senior Notes (v)		**3,289.2**	2,954.8
		3,294.6	3,180.3
TVA Group (iii)			
Bank credit facilities (vii)	3.00 %	**62.9**	69.6
Other		**0.3**	0.3
Total long-term debt		**5,572.1**	5,700.8
Change in fair value related to hedged interest rate risk		**5.8**	8.4
Adjustments related to embedded derivatives		**–**	0.6
Financing fees, net of amortization		**(41.3)**	(41.1)
		(35.5)	(32.1)
		5,536.6	5,668.7
Less current portion		**(20.4)**	(51.8)
		$ 5,516.2	$ 5,616.9

21. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2019 in an amount of $300.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facilities of Quebecor Media are comprised of a US$350.0 million secured term loan "B" facility that matures in August 2020 and is bearing interest at LIBOR plus a premium of 2.25% and a $300.0 million secured revolving credit facility that matures in July 2020 and is bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on the Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2017, the credit facilities were secured by assets with a carrying value of $3,045.4 million ($3,123.2 million in 2016). As of December 31, 2017 and 2016, no amount had been drawn on the revolving credit facility, and as of December 31, 2017, $420.4 million was outstanding on the term loan "B" ($453.4 million in 2016).

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

21. LONG-TERM DEBT (continued)

(v) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2017:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
US$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
US$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US$ 600.0	5.375 %	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	5.625 %	June 15, 2025	April and October 15
$ 375.0	5.750 %	5.750 %	January 15, 2026	March and September 15
US$ 600.0[1]	5.125 %	5.125 %	April 15, 2027	April and October 15

[1] The Notes were issued in April 2017 for net proceeds of $794.5 million, net of financing fees of $9.9 million.

(vi) The bank credit facilities provide for a $965.0 million secured revolving credit facility that matures in July 2021 and a $75.0 million secured export financing facility providing for a term loan that matures in June 2018. The revolving credit facility bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. Advances under the export financing facility bear interest at Bankers' acceptance rate plus a margin. The bank credit facilities are secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2017, the bank credit facilities were secured by assets with a carrying value of $6,665.7 million ($5,804.3 million in 2016). The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2017, no amount had been drawn on the secured revolving credit facility ($209.4 million was drawn in 2016) and $5.4 million was outstanding on the export financing facility ($16.1 million in 2016).

(vii) The bank credit facilities of TVA Group comprise a secured revolving credit facility in the amount of $150.0 million, maturing in February 2019, and a secured term loan in the amount of $75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2017 and 2016, no amount had been drawn on the revolving credit facility, and as of December 31, 2017, $62.9 million was outstanding on the term loan ($69.6 million in 2016).

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

21. LONG-TERM DEBT (continued)

On December 31, 2017, the Corporation was in compliance with all debt covenants.

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

2018	$ 20.4
2019	233.5
2020	414.5
2021	1.4
2022	1,050.2
2023 and thereafter	3,852.1

22. CONVERTIBLE DEBENTURES

On October 11, 2012, the Corporation issued $500.0 million in aggregate principal amount of convertible debentures bearing interest at an annual rate of 4.125% and maturing in October 2018. As of December 31, 2017, the aggregate principal amount of outstanding convertible debentures amounted to $450.0 million ($500.0 million in 2016). Interest is payable semi-annually in cash, in Quebecor Class B Subordinate Voting Shares ("Class B Shares"), or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B Share, subject to a floor price of $9.625 per share (that is, a maximum number of 46,753,247 Quebecor Class B Shares corresponding to a ratio of $450.0 million to the floor price) and a ceiling price of $12.03125 per share (that is, a minimum number of 37,402,597 Quebecor Class B Shares corresponding to a ratio of $450.0 million to the ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

On July 14, 2017, Quebecor received a notice related to the conversion of an aggregate principal amount of $50.0 million of convertible debentures into 4,155,844 Quebecor Class B Shares. The Corporation exercised its option to pay in cash and accordingly, paid an amount in cash of $95.2 million on September 6, 2017. This transaction resulted in no gain or loss as the total carrying value of convertible debentures and related embedded derivatives was equal to the amount paid.

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2017 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 1.51% (0.89% in 2016), a dividend yield of 0.46% (0.48% in 2016), and an expected volatility of 13.80% (20.66% in 2016). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2017 would have increased the loss on embedded derivatives related to convertible debentures by $37.4 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $37.4 million.

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

23. OTHER LIABILITIES

	Note		**2017**		2016
Defined benefit plans	31	**$**	**149.4**	$	144.9
Embedded derivatives related to convertible debentures	22		**–**		290.0
Deferred revenue			**17.4**		20.7
Stock-based compensation[1]	25		**15.3**		22.0
Other[2]			**33.7**		38.6
		$	**215.8**	$	516.2

[1] The current $24.6 million portion of stock-based compensation is included in accounts payable and accrued charges ($24.9 million in 2016) (note 19).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2017 and 2016 and a combined carrying value of $2.1 million as of December 31, 2017 and 2016. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

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

24. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2015	77,852,744	$ 8.7	167,073,584	$ 316.9
Class A Shares converted into Class B Shares	(256,200)	(0.1)	256,200	0.1
Shares purchased and cancelled	–	–	(1,218,600)	(2.3)
Balance as of December 31, 2016	77,596,544	8.6	166,111,184	314.7
Class A Shares converted into Class B Shares	(216,600)	–	216,600	–
Shares purchased and cancelled	–	–	(5,590,700)	(10.5)
Shares issued upon exercise of stock options	–	–	100,000	1.1
Balance as of December 31, 2017	**77,379,944**	**$ 8.6**	**160,837,084**	**$ 305.3**

On August 9, 2017, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of August 1, 2017. The purchases can be made from August 15, 2017 to August 14, 2018 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On December 15, 2017, the maximum number of Class B Shares that may be repurchased under the Corporation's normal course issuer bid program was increased to 8,400,000, representing approximately 9.9% of the Class B Shares public float as of August 1, 2017.

In 2017, the Corporation purchased and cancelled 5,590,700 Class B Shares for a total cash consideration of $127.5 million (1,218,600 Class B Shares for a total cash consideration of $22.7 million in 2016). The excess of $117.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2017 ($20.4 million in 2016).

In 2017, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.1 million. As a result of this transaction, contributed surplus was increased by $1.2 million and stock-based compensation liability was reduced by the same amount.

On November 15, 2017, a stock split of the Corporation's outstanding Class A Shares and Class B Shares on a two-for-one basis was performed. Accordingly, all references to the number of shares, per share amounts and share-based compensation information of the Corporation in these consolidated financial statements have been retrospectively restated to reflect the impact of the stock split.

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

24. CAPITAL STOCK (continued)

On March 13, 2018, the Board of Directors of the Corporation declared a dividend of $0.0275 per share on Class A Shares and Class B Shares, or approximately $6.6 million, payable on April 24, 2018 to shareholders of record at the close of business on March 30, 2018.

25. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 26,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of the Corporation. The exercise price of each option is equal to the weighted average trading price of the Corporation's Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. Options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant.

The following table gives details on changes to outstanding options for the years ended December 31, 2017 and 2016:

	2017		2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,620,000**	**$ 12.68**	2,620,000	$ 12.68
Exercised	**(1,260,000)**	**12.82**	–	–
Cancelled	**(580,000)**	**12.97**	–	–
Balance at end of year	**780,000**	**$ 12.25**	2,620,000	$ 12.68
Vested options at end of year	**686,666**	**$ 11.97**	493,332	$ 11.71

During the year ended December 31, 2017, 1,160,000 of the Corporation's stock options were exercised for a cash consideration of $8.2 million (none in 2016) and 100,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 24) (none in 2016).

As of December 31, 2017, exercise prices of all outstanding and vested options are from $11.11 to $15.12 and the number of years to maturity of all outstanding options is 5.83 years.

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

25. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under a mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Corporation Class B Share price, and subject to the achievement of certain non-market performance criteria. The following table provides details of changes to outstanding units in the mid-term stock-based compensation plan for the years ended December 31, 2017 and 2016:

		2017		2016
	Units	**Weighted average exercise price**	Units	Weighted average exercise price
Balance at beginning of year	**2,855,248**	**$ 14.46**	2,952,692	$ 14.34
Exercised	**(2,281,882)**	**14.12**	(97,444)	10.89
Cancelled	**(386,146)**	**15.81**	–	–
Balance at end of year	**187,220**	**$ 15.81**	2,855,248	$ 14.46

During the year ended December 31, 2017, a cash consideration of $9.8 million was paid upon the exercise of 2,281,882 units ($0.6 million upon the exercise of 97,444 units in 2016).

(iii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of the Corporation’s directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of the Corporation’s Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on the Corporation’s Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of the Corporation’s Class B Shares on the date of redemption. As of December 31, 2017 and 2016, the total number of DSUs outstanding under this plan was 341,750 and 396,284, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

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

25. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2017 and 2016:

	2017		2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**980,905**	**$ 61.71**	1,482,494	$ 60.44
Exercised	**(215,978)**	**59.40**	(399,689)	56.48
Cancelled	**(169,100)**	**60.65**	(101,900)	63.79
Balance at end of year	**595,827**	**$ 62.84**	980,905	$ 61.71
Vested options at end of year	**226,200**	**$ 58.78**	163,550	$ 54.90

During the year ended December 31, 2017, 215,978 of the Quebecor Media's stock options were exercised for a cash consideration of $5.5 million (399,689 stock options for $6.5 million in 2016).

The following table gives summary information on outstanding options as of December 31, 2017:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$37.91 to 53.40	55,200	2.85	$ 45.69	55,200	$ 45.69
$57.35 to 70.56	540,627	6.46	64.60	171,000	63.01
$37.91 to 70.56	**595,827**	**6.13**	**$ 62.84**	**226,200**	**$ 58.78**

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

25. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

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

The following table gives details on changes to outstanding options for the years ended December 31, 2017 and 2016:

	2017		2016	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**357,632**	**$ 12.71**	463,371	$ 13.30
Cancelled	**(134,915)**	**12.86**	–	–
Expired	**(162,717)**	**14.75**	(105,739)	15.29
Balance at end of year	**60,000**	**$ 6.85**	357,632	$ 12.71
Vested options at end of year	**24,000**	**$ 6.85**	283,632	$ 14.11

As of December 31, 2017, the exercise price of all outstanding and vested options is $6.85 and the number of years to maturity of all outstanding options is 7.09 years.

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

25. STOCK-BASED COMPENSATION PLANS (continued)

(d) Deferred share unit and performance share unit plans

On July 10, 2016, TVA Group established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans.

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Subordinate Shares ("Quebecor Class B Shares") and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans.

The following table provides details of changes to outstanding units in the DSU and PSU plans for the year ended December 31, 2017:

	Outstanding units	
	DSU	PSU
Quebecor		
Balance at beginning of year	159,682	204,424
Granted	142,679	182,441
Exercised	(9,894)	(15,780)
Cancelled	(43,430)	(53,046)
Balance at end of year	**249,037**	**318,039**
TVA Group		
Balance at beginning of year	209,327	212,671
Granted	144,702	147,937
Exercised	(17,978)	–
Cancelled	(69,662)	(89,971)
Balance at end of year	**266,389**	**270,637**

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

25. STOCK-BASED COMPENSATION PLANS (continued)

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

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2017 and 2016:

December 31, 2017	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**1.82 %**	**1.80 %**	**1.97 %**
Distribution yield	**0.46 %**	**1.12 %**	**– %**
Expected volatility	**17.43 %**	**16.70 %**	**50.78 %**
Expected remaining life	**2.4 years**	**2.3 years**	**3.6 years**

December 31, 2016	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.25 %	1.10 %	0.91 %
Distribution yield	0.48 %	1.33 %	– %
Expected volatility	19.27 %	18.93 %	35.48 %
Expected remaining life	4.0 years	3.0 years	1.9 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability of vested options

As of December 31, 2017, the liability for all vested options was $15.9 million as calculated using the intrinsic value ($7.3 million as of December 31, 2016).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2017, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $21.0 million ($23.1 million in 2016).

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

26. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2015	$ (57.6)	$ (53.6)	$ (111.2)
Other comprehensive (loss) income	(12.2)	17.3	5.1
Balance as of December 31, 2016	(69.8)	(36.3)	(106.1)
Other comprehensive income (loss)	58.3	(2.5)	55.8
Non-controlling interests acquisition (note 12)	(0.2)	(0.2)	(0.4)
Balance as of December 31, 2017	**$ (11.7)**	**$ (39.0)**	**$ (50.7)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivative financial instruments designated as cash flow hedges. The balance is expected to reverse over a 9 1/4-year period.

27. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, tangible and intangible assets, broadcasting rights, and to pay licences and royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2018	$ 47.0	$ 228.2
2019 to 2022	76.6	600.0
2023 and thereafter	75.0	543.1

The Corporation’s operating lease expenses amounted to $63.8 million in 2017 ($62.8 million in 2016).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2017, the maximum exposure with respect to these guarantees was $20.5 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

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

Outsourcing companies and suppliers

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

Other

One of the Corporation’s subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.2936	$ 151.4	US$ 117.0

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$ 335.1	Bankers' acceptance 3 months + 2.77%	1.0346
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

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

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

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

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value in the consolidated balance sheets, is determined using Level 2 inputs.

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

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

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2017 and 2016 are as follows:

	2017			2016
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1, 2]	**$ (5,572.1)**	**$ (5,883.3)**	$ (5,700.8)	$ (5,866.6)
Convertible debentures[3]	**(888.5)**	**(888.5)**	(780.0)	(780.0)
Derivative financial instruments[4]				
Early settlement options	**–**	**–**	0.4	0.4
Foreign exchange forward contracts[5]	**(4.5)**	**(4.5)**	2.5	2.5
Interest rate swaps	**–**	**–**	(0.3)	(0.3)
Cross-currency interest rate swaps[5]	**562.2**	**562.2**	806.5	806.5

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $557.7 million as of December 31, 2017 ($808.7 million as of December 31, 2016).

5 The value of foreign exchange forward contracts entered into to lock in the value of existing hedging positions is netted from the value of the offset financial instruments.

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2017, no customer balance represented a significant portion of the Corporation’s consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2017, 11.3% of trade receivables were 90 days past their billing date (13.0% as of December 31, 2016) of which 31.1% had an allowance for doubtful accounts (32.5% as of December 31, 2016).

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2017 and 2016:

	2017	2016
Balance at beginning of year	**$ 28.1**	$ 23.0
Charged to income	**21.6**	36.1
Utilization	**(28.6)**	(31.0)
Balance at end of year	**$ 21.1**	$ 28.1

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

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

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.9 years as of December 31, 2017 (6.1 years as of December 31, 2016).

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

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2017, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 0.8**	$ 0.8	$ –	$ –	$ –
Accounts payable and accrued charges	**738.7**	738.7	–	–	–
Long-term debt[1]	**5,572.1**	20.4	648.0	1,051.6	3,852.1
Convertible debentures[2]	**886.4**	886.4	–	–	–
Interest payments[3]	**1,690.7**	250.3	554.3	517.2	368.9
Derivative financial instruments[4]	**(552.7)**	0.6	(71.0)	(203.0)	(279.3)
Total	**$ 8,336.0**	**$ 1,897.2**	**$ 1,131.3**	**$ 1,365.8**	**$ 3,941.7**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2017 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $9.625 per share and a ceiling price of $12.03125. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2017.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

(e) Market risk

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

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2017, and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

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

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2017 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ **1.6**	$ **40.4**
Decrease of $0.10	**(1.6)**	**(40.4)**

A variance of $0.10 in the 2017 average exchange rate of CAN dollar per one U.S. dollar would had resulted in a variance of $3.2 million on the value of unhedged purchase of goods and services in 2017 and $5.7 million on the value of unhedged acquisitions of tangible and intangible assets in 2017.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2017, after taking into account the hedging instruments, long-term debt was comprised of 84.7% fixed-rate debt (83.2% in 2016) and 15.3% floating-rate debt (16.8% in 2016).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2017 was $7.7 million.

The estimated sensitivity on income and on other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures (note 22), as of December 31, 2017, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ **(1.4)**	$ **(21.2)**
Decrease of 100 basis points	**1.4**	**21.2**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

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

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

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2017 and 2016 is as follows:

	2017	2016
Bank indebtedness	**$ 0.8**	$ 18.9
Long-term debt	**5,536.6**	5,668.7
Embedded derivatives related to convertible debentures	**442.2**	290.0
Convertible debentures	**450.0**	500.0
Derivative financial instruments	**(557.7)**	(808.7)
Cash and cash equivalents	**(864.9)**	(22.3)
Net liabilities	**5,007.0**	5,646.6
Equity	**$ 1,206.1**	$ 847.2

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

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

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2017	2016
Salaries and short-term benefits	**$ 9.7**	$ 10.1
Share-based compensation	**10.0**	15.1
Other long-term benefits	**10.1**	2.0
	$ 29.8	$ 27.2

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $2.8 million in 2017 ($3.0 million in 2016). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2017 and 2016:

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,287.2**	$ 1,232.8	**$ 73.4**	$ 69.2
Service costs	**33.9**	34.9	**1.9**	1.8
Interest costs	**50.3**	49.7	**2.9**	2.8
Plan participants' contributions	**11.5**	11.9	**–**	–
Actuarial loss (gain) arising from:				
Financial assumptions	**82.6**	20.8	**5.4**	1.4
Demographic assumptions	**(8.6)**	–	**–**	–
Participant experience	**4.6**	(0.4)	**(21.2)**	–
Benefits and settlements paid	**(73.6)**	(63.1)	**(1.9)**	(1.8)
Plan transfer	**(55.4)**	–	**–**	–
Other	**0.4**	0.6	**–**	–
Benefit obligations at the end of the year	**$ 1,332.9**	$ 1,287.2	**$ 60.5**	$ 73.4

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,244.4**	$ 1,164.8	**$ –**	$ –
Actual return on plan assets	**106.5**	98.0	**–**	–
Employer contributions	**36.4**	35.1	**1.9**	1.8
Plan participants' contributions	**11.5**	11.9	**–**	–
Administrative fees	**(2.5)**	(2.3)	**–**	–
Benefits and settlements paid	**(73.6)**	(63.1)	**(1.9)**	(1.8)
Plan transfer	**(55.4)**	–	**–**	–
Fair value of plan assets at the end of the year	**$ 1,267.3**	$ 1,244.4	**$ –**	$ –

As of December 31, 2017, the weighted average duration of defined benefit obligations was 16.5 years (16.2 years in 2016). The Corporation expects future benefit payments of $69.6 million in 2018.

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

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

Plan assets are comprised of:

	2017	2016
Equity securities:		
Canadian	**23.6 %**	23.6 %
Foreign	**32.3**	31.9
Debt securities	**40.8**	41.2
Other	**3.3**	3.3
	100.0 %	100.0 %

The fair value of plan assets is principally based on quoted prices in an active market.

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

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

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Benefit obligations	**$ (1,332.9)**	$ (1,287.2)	**$ (60.5)**	$ (73.4)
Fair value of plan assets	**1,267.3**	1,244.4	**–**	–
Plan deficit	**(65.6)**	(42.8)	**(60.5)**	(73.4)
Asset limit and minimum funding adjustment	**(20.4)**	(19.8)	**–**	–
Net amount recognized[1]	**$ (86.0)**	$ (62.6)	**$ (60.5)**	$ (73.4)

[1] The net amount recognized for 2017 consists of an asset of $2.9 million included in "Other Assets" (note 18) ($8.9 million in 2016) and a liability of $149.4 million included in "Other Liabilities" (note 23) ($144.9 million in 2016).

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Actuarial (loss) gain on benefit obligations	**$ (78.6)**	$ (20.4)	**$ 15.8**	$ (1.4)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**59.1**	51.8	**–**	–
Asset limit and minimum funding adjustment	**(0.1)**	2.8	**–**	–
Re-measurements (loss) gain recorded in other comprehensive income	**$ (19.6)**	$ 34.2	**$ 15.8**	$ (1.4)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Employee costs:				
Service costs	**$ 33.9**	$ 34.9	**$ 1.9**	$ 1.8
Administrative fees and other	**3.0**	3.0	**–**	–
Interest on net defined benefit liability	**3.4**	4.4	**2.9**	2.8
Net benefit costs	**$ 40.3**	$ 42.3	**$ 4.8**	$ 4.6

The expense related to defined contribution pension plans amounted to $16.8 million in 2017 and 2016.

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $38.6 million in 2018, based on the most recent financial actuarial reports filed (contributions of $38.3 million were paid in 2017).

<u>Assumptions</u>

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

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2017 and 2016
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2017 and 2016 and current periodic benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2017	2016	**2017**	2016
Benefit obligations				
Rates as of year-end:				
Discount rate	**3.50 %**	3.90 %	**3.50 %**	3.90 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00
Current periodic costs				
Rates as of preceding year-end:				
Discount rate	**3.90 %**	4.00 %	**3.90 %**	4.00 %
Rate of compensation increase	**3.00**	3.00	**3.00**	3.00

The assumed average retirement age of participants used was of 62 years in 2017 and 2016.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 6.50 % at the end of 2017. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 4.5% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $22.0 million and the postretirement benefits obligation by $1.2 million as of December 31, 2017. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

J. Bitran

This is Exhibit 48 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2018 and 2017

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Pierre Karl Péladeau
President and Chief Executive Officer

Hugues Simard
Chief Financial Officer

Montréal, Canada

March 12, 2019

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of income, comprehensive income, equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

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

Other information

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

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

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

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

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Ernst & Young LLP [1]

Montréal, Canada
March 12, 2019

[1] CPA auditor, CA. Public accountancy permit no. A120803

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars, except earnings per share data)

	Note	2018	2017 (restated, note 1(b))
Revenues	2	**$ 4,181.0**	$ 4,125.1
Employee costs	3	**700.5**	712.1
Purchase of goods and services	3	**1,748.4**	1,795.8
Depreciation and amortization		**720.2**	707.9
Financial expenses	4	**323.5**	307.4
Loss on valuation and translation of financial instruments	5	**61.3**	199.8
Restructuring of operations, litigation, and other items	6	**29.8**	17.2
Gain on sale of spectrum licences	7	**–**	(330.9)
Impairment of goodwill and intangible assets	8	**–**	43.8
Loss on debt refinancing	9	**–**	15.6
Income before income taxes		**597.3**	656.4
Income taxes:			
Current	10	**154.9**	8.8
Deferred	10	**7.0**	137.1
		161.9	145.9
Income from continuing operations		**435.4**	510.5
Income from discontinued operations	32	**3.8**	18.2
Net income		**$ 439.2**	$ 528.7
Income from continuing operations attributable to			
Shareholders		**$ 398.0**	$ 375.7
Non-controlling interests		**37.4**	134.8
Net income attributable to			
Shareholders		**$ 401.5**	$ 390.5
Non-controlling interests		**37.7**	138.2
Earnings per share attributable to shareholders	11		
Basic:			
From continuing operations		**$ 1.66**	$ 1.55
From discontinued operations		**0.02**	0.06
Net income		**1.68**	1.61
Diluted:			
From continuing operations		**1.65**	1.55
From discontinued operations		**0.02**	0.06
Net income		**1.67**	1.61
Weighted average number of shares outstanding (in millions)		**239.3**	241.8
Weighted average number of diluted shares (in millions)		**239.8**	242.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note	2018	2017 (restated, note 1(b))
Income from continuing operations		**$ 435.4**	$ 510.5
Other comprehensive income from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
(Loss) gain on valuation of derivative financial instruments		**(10.1)**	43.7
Deferred income taxes		**(5.7)**	28.0
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss	31	**(6.1)**	(3.8)
Deferred income taxes		**1.7**	1.0
		(20.2)	68.9
Comprehensive income from continuing operations		**415.2**	579.4
Income from discontinued operations	32	**3.8**	18.2
Comprehensive income		**$ 419.0**	$ 597.6
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 385.2**	$ 431.5
Non-controlling interests		**30.0**	147.9
Comprehensive income attributable to			
Shareholders		**$ 388.7**	$ 446.3
Non-controlling interests		**30.3**	151.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	**Contributed surplus**	**Retained earnings (deficit)**	**Accumulated other comprehensive loss**	**Equity attributable to non-controlling interests**	**Total equity**
	(note 24)			(note 26)		
Balance as of December 31, 2016, as previously reported	$ 323.3	$ 2.3	$ 235.7	$ (106.1)	$ 392.0	$ 847.2
Changes in accounting policies (note 1(b))	–	–	143.7	–	33.6	177.3
Balance as of December 31, 2016, as restated	323.3	2.3	379.4	(106.1)	425.6	1,024.5
Net income	–	–	390.5	–	138.2	528.7
Other comprehensive income	–	–	–	55.8	13.1	68.9
Issuance of Class B Shares	1.1	1.2	–	–	–	2.3
Dividends or distributions	–	–	(25.3)	–	(18.7)	(44.0)
Repurchase of Class B Shares	(10.5)	–	(117.0)	–	–	(127.5)
Non-controlling interests acquisition (note 12)	–	–	(25.7)	(0.4)	(17.8)	(43.9)
Balance as of December 31, 2017	313.9	3.5	601.9	(50.7)	540.4	1,409.0
Net income	–	–	401.5	–	37.7	439.2
Other comprehensive loss	–	–	–	(12.8)	(7.4)	(20.2)
Issuance of Class B Shares	786.1	1.2	–	–	–	787.3
Dividends or distributions	–	–	(46.3)	–	(9.4)	(55.7)
Repurchase of Class B Shares	(34.1)	–	(257.6)	–	–	(291.7)
Non-controlling interests acquisition (note 12)	–	–	(1,198.2)	(19.2)	(472.6)	(1,690.0)
Balance as of December 31, 2018	**$ 1,065.9**	**$ 4.7**	**$ (498.7)**	**$ (82.7)**	**$ 88.7**	**$ 577.9**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note	2018	2017 (restated, note 1(b))
Cash flows related to operating activities			
Income from continuing operations		**$ 435.4**	$ 510.5
Adjustments for:			
Depreciation of property, plant and equipment	15	**614.7**	604.1
Amortization of intangible assets	16	**105.5**	103.8
Loss on valuation and translation of financial instruments	5	**61.3**	199.8
Gain on sale of spectrum licences	7	**–**	(330.9)
Restructuring of operations and impairment of goodwill and intangible assets	6,8	**14.9**	43.8
Loss on debt refinancing	9	**–**	15.6
Amortization of financing costs and long-term debt discount	4	**7.1**	7.1
Deferred income taxes	10	**7.0**	137.1
Other		**(5.7)**	4.1
		1,240.2	1,295.0
Net change in non-cash balances related to operating activities		**147.3**	(133.3)
Cash flows provided by continuing operating activities		**1,387.5**	1,161.7
Cash flows related to investing activities			
Non-controlling interests acquisitions	12	**(1,540.0)**	(43.9)
Business acquisitions	12	**(10.3)**	(5.8)
Additions to property, plant and equipment	15	**(553.0)**	(602.1)
Additions to intangible assets	16	**(197.4)**	(141.9)
Proceeds from disposals of assets	7	**9.4**	620.7
Other		**(11.3)**	(10.6)
Cash flows used in continuing investing activities		**(2,302.6)**	(183.6)
Cash flows related to financing activities			
Net change in bank indebtedness		**23.5**	(18.1)
Net change under revolving facilities		**565.8**	(33.7)
Issuance of long-term debt, net of financing fees	21	**–**	844.0
Repayment of long-term debt	9	**(20.5)**	(695.6)
Repayment of convertible debentures	22	**(158.4)**	(95.2)
Settlement of hedging contracts		**(1.6)**	16.6
Issuance of Class B Shares	24	**1.3**	1.1
Repurchase of Class B Shares	24	**(291.7)**	(127.5)
Dividends		**(46.3)**	(25.3)
Dividends or distributions paid to non-controlling interests		**(9.4)**	(18.7)
Cash flows provided (used in) by continuing financing activities		**62.7**	(152.4)
Net change in cash and cash equivalents from continuing operations		**$ (852.4)**	$ 825.7

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Note	2018	2017 (restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		**$ (852.4)**	$ 825.7
Cash flows provided by discontinued operations	32	**8.5**	16.9
Cash and cash equivalents at the beginning of the year		**864.9**	22.3
Cash and cash equivalents at the end of the year		**$ 21.0**	$ 864.9
Additional information on the consolidated statements of cash flows			
Cash and cash equivalents consist of			
Cash		**$ 20.2**	$ 863.2
Cash equivalents		**0.8**	1.7
		$ 21.0	$ 864.9
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)			
Accounts receivable		**$ (9.4)**	$ (17.9)
Contract assets		**(21.3)**	(27.8)
Inventories		**1.3**	(3.2)
Accounts payable, accrued charges and provisions		**33.0**	(25.7)
Income taxes		**134.2**	(44.8)
Deferred revenues		**(5.7)**	(1.7)
Defined benefit plans		**9.5**	6.8
Other		**5.7**	(19.0)
		$ 147.3	$ (133.3)
Non-cash investing activities			
Net change in additions to property, plant and equipment and intangible assets financed with accounts payable		**$ 67.8**	$ 21.8
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 316.3**	$ 292.9
Cash income tax payments (net of refunds)		**18.0**	58.7

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	Note	2018	2017	2016
			(restated, note 1(b))	(restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		**$ 21.0**	$ 864.9	$ 22.3
Accounts receivable	13	**553.8**	543.4	525.4
Contract assets	18	**144.4**	132.8	106.6
Income taxes		**4.8**	29.3	6.9
Inventories	14	**186.3**	188.1	183.3
Other current assets	18	**120.5**	119.8	102.4
Assets held for sale	32	**95.0**	–	–
		1,125.8	1,878.3	946.9
Non-current assets				
Property, plant and equipment	15	**3,451.8**	3,594.6	3,605.1
Intangible assets	16	**1,135.3**	983.1	1,224.0
Goodwill	17	**2,678.3**	2,695.8	2,725.4
Derivative financial instruments	29	**887.0**	591.8	809.0
Deferred income taxes	10	**51.8**	33.2	16.0
Other assets	18	**201.6**	185.1	177.1
		8,405.8	8,083.6	8,556.6
Total assets		**$ 9,531.6**	$ 9,961.9	$ 9,503.5

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2018, 2017 and 2016
(in millions of Canadian dollars)

	Note	2018	2017	2016
			(restated, note 1(b))	(restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 24.3**	$ 0.8	$ 18.9
Accounts payable and accrued charges	19	**832.0**	738.7	705.9
Provisions	20	**33.5**	25.4	69.3
Deferred revenues		**340.7**	346.8	339.7
Income taxes		**119.2**	13.3	35.2
Convertible debentures	22	**–**	450.0	–
Embedded derivatives related to convertible debentures	22	**–**	442.2	–
Current portion of long-term debt	21	**57.9**	20.4	51.8
Liabilities held for sale	32	**6.6**	–	–
		1,414.2	2,037.6	1,220.8
Non-current liabilities				
Long-term debt	21	**6,370.3**	5,516.2	5,616.9
Derivative financial instruments	29	**–**	34.1	0.3
Convertible debentures	22	**150.0**	–	500.0
Other liabilities	20, 23	**240.0**	215.8	516.2
Deferred income taxes	10	**779.2**	749.2	624.8
		7,539.5	6,515.3	7,258.2
Equity				
Capital stock	24	**1,065.9**	313.9	323.3
Contributed surplus		**4.7**	3.5	2.3
(Deficit) retained earnings		**(498.7)**	601.9	379.4
Accumulated other comprehensive loss	26	**(82.7)**	(50.7)	(106.1)
Equity attributable to shareholders		**489.2**	868.6	598.9
Non-controlling interests		**88.7**	540.4	425.6
		577.9	1,409.0	1,024.5
Commitments and contingencies	20, 27			
Guarantees	28			
Total liabilities and equity		**$ 9,531.6**	$ 9,961.9	$ 9,503.5

See accompanying notes to consolidated financial statements.

On March 12, 2019, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2018, 2017 and 2016.

On behalf of the Board of Directors,

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

Normand Provost
Director

QUEBECOR INC.
SEGMENTED INFORMATION

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. (“Quebecor Media”) and in subsidiaries controlled by Quebecor Media. On June 22, 2018, Quebecor Media became a wholly owned subsidiary of the Corporation. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. refers to Quebecor Media Inc. and its subsidiaries. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

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

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies, televisual products and video games through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the distribution of movies, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

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

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2018
Revenues	**$ 3.382.0**	**$ 728.6**	**$ 182.1**	**$ (111.7)**	**$ 4,181.0**
Employee costs	**387.1**	**234.4**	**38.8**	**40.0**	**700.5**
Purchase of goods and services	**1,317.9**	**438.9**	**138.3**	**(146.7)**	**1,748.4**
Adjusted EBITDA[1]	**1,677.0**	**55.3**	**5.0**	**(5.2)**	**1,732.1**
Depreciation and amortization					**720.2**
Financial expenses					**323.5**
Loss on valuation and translation of financial instruments					**61.3**
Restructuring of operations, litigation and other items					**29.8**
Income before income taxes					**$ 597.3**
Additions to property, plant and equipment	**$ 516.7**	**$ 28.7**	**$ 1.5**	**$ 6.1**	**$ 553.0**
Additions to intangible assets	**190.2**	**4.8**	**3.5**	**(1.1)**	**197.4**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2018 and 2017
(in millions of Canadian dollars)

	Telecommuni-cations	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2017
					(restated, note 1(b))
Revenues	$ 3,287.8	$ 769.9	$ 181.3	$ (113.9)	$ 4,125.1
Employee costs	388.8	232.0	37.6	53.7	712.1
Purchase of goods and services	1,341.2	468.6	137.5	(151.5)	1,795.8
Adjusted EBITDA[1]	1,557.8	69.3	6.2	(16.1)	1,617.2
Depreciation and amortization					707.9
Financial expenses					307.4
Loss on valuation and translation of financial instruments					199.8
Restructuring of operations, litigation and other items					17.2
Gain on sale of spectrum licences					(330.9)
Impairment of goodwill and intangible assets					43.8
Loss on debt refinancing					15.6
Income before income taxes					$ 656.4
Additions to property, plant and equipment	$ 570.9	$ 29.4	$ 1.3	$ 0.5	$ 602.1
Additions to intangible assets	132.3	3.3	4.3	2.0	141.9

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred to as a non-International Financial Reporting Standards ("IFRS") measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes and income from discontinued operations.

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

Comparative figures for the year ended December 31, 2017 have been restated to conform to the presentation adopted for the year ended December 31, 2018.

(b) Changes in accounting policies

(i) IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new rules under IFRS 9, *Financial Instruments*, which simplify the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

Under the new rules, most of financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value. The Corporation is also using the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets.

The adoption of IFRS 9 had no impact on the consolidated financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Corporation adopted, on a fully retrospective basis, the new rules under IFRS 15, *Revenue from Contracts with Customers,* which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to apply to each contract with a customer (note 1(f)).

The adoption of IFRS 15 had significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regard to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(ii) IFRS 15 – *Revenue from Contracts with Customers* (continued)

Under IFRS 15, the total consideration from a contract with multiple deliverables is now allocated to all performance obligations in the contract, based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile devices and services under contracts with multiple deliverables and for a fixed period of time. Under IFRS 15, promotional offers related to the sale of mobile devices, previously accounted for as a reduction in related equipment sales on activation, are now considered in the total consideration to be allocated to all performance obligations. Among other impacts, the adoption of IFRS 15 results in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of these revenues therefore changes under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract remains the same as under the previous rules. The portion of revenues that is earned without having been invoiced is now presented as contract assets in the consolidated balance sheets, which asset is realized during the term of the contract. The long-term portion of contract assets is included in “Other assets” in the consolidated balance sheets. All other types of revenue have not been impacted by the adoption of IFRS 15.

In addition, under IFRS 15, certain costs to obtain a contract, mainly sales commissions, are capitalized and amortized as operating expenses over the period of time the customer is expected to maintain its service or over the contract term. Previously, such costs were expensed as incurred. Also, the capitalization of connection costs is no longer limited to the related connection revenues as under the previous rules. These capitalized costs are included in “Other assets” as contract costs in the consolidated balance sheets.

The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

The retroactive adoption of IFRS 15 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	2017	2016
Revenues	$ 22.4	$ 52.5
Purchase of goods and services	(12.4)	(13.2)
Deferred income tax expense	9.2	17.4
Net income and comprehensive income	$ 25.6	$ 48.3
Net income and comprehensive income attributable to:		
Shareholders	$ 20.8	$ 39.2
Non-controlling interests	4.8	9.1
Earnings per share attributable to shareholders	$ 0.09	$ 0.16

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(ii) IFRS 15 – *Revenue from Contracts with Customers* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2017	December 31, 2016
Other assets:		
Contract assets[1]	$ 183.6	$ 155.8
Contract costs[2]	92.5	85.4
Deferred income tax liability	73.2	63.9
Retained earnings	165.4	143.7
Non-controlling interests	37.5	33.6

1 The current portion of contract assets is $132.8 million as of December 31, 2017 and $106.6 million as of December 31, 2016.

2 The current portion of contract costs is $55.9 million as of December 31, 2017 and $49.4 million as of December 31, 2016, and is presented under “Other current assets”.

(c) Consolidation

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

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

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

(d) Business acquisition

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

Non-controlling interests in an entity acquired are presented in the consolidated balance sheets within equity, separately from the equity attributable to shareholders.

(e) Foreign currency translation

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition

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

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

The portion of revenues that is invoiced and unearned is presented as "Deferred revenues" in the consolidated balance sheets. Deferred revenues are usually recognized as revenues in the subsequent year.

<u>Telecommunications</u>

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

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Media

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

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment leasing revenues are recognized over the rental period; and
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

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

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

(g) Impairment of assets

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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

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

(h) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

(i) Income taxes

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

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

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

(j) Leases

Assets under leasing agreements are classified at the inception of the lease as (i) finance leases whenever the terms of the lease substantially transfer all the risks and rewards of ownership of the asset to the lessee, or as (ii) operating leases for all other leases.

Operating lease rentals are recognized in the consolidated statements of income on a straight-line basis over the period of the lease. Any lessee incentives are deferred and recognized evenly over the lease term.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Classification, recognition and measurement

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

Derivative financial instruments and hedge accounting

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

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.
- The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financing fees

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

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(n) Cash and cash equivalents

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

(o) Accounts receivable and contract assets

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

(p) Inventories

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

In particular, inventories related to broadcasting activities, which primarily comprise programs and broadcast and distribution rights, are accounted for as follows:

(i) Programs produced and productions in progress

Programs produced and productions in progress related to broadcasting activities are accounted for at the lesser of cost and net realizable value. Cost includes direct charges for goods and services and the share of labour and general expenses related to each production. The cost of each program is charged to operating expenses when the program is broadcast.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are classified as current or long-term assets, based on management's estimate of the broadcast or distribution period. These rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated. Broadcast and distribution rights payable are classified as current or long-term liabilities based on the payment terms included in the licence.

Estimates of future revenues used to determine the net realizable value of inventories related to the broadcasting or distribution of television products and movies are examined periodically by management and revised as necessary. The carrying value of programs produced and productions in progress, of broadcast and distribution rights is reduced to the net realizable value, if necessary, based on this assessment.

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

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

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

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

Assets	Estimated useful lives
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

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

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets. A decommissioning obligation is however recorded for the rental of sites related to the mobile network.

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

(s) Goodwill and intangible assets

Goodwill

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

<u>Intangible assets</u>

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

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

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

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

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

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

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

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

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

(t) Contract costs

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

(v) Stock-based compensation

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

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 25.

(w) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Pension plans and postretirement benefits (continued)

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

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

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

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

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

(x) Convertible debentures

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

(y) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 17.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Use of estimates and judgments (continued)

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

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

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. A description of the main provisions, including management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements, is presented in note 20.

(iv) Contingent considerations

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

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

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

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

(ii) Indefinite useful life of spectrum licences

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

(iii) Interpretation of laws and regulations

Interpretation of laws and regulation, including tax regulations, requires judgment from management that could have an impact on the recognition of provisions for legal litigation and income taxes in the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Recent accounting pronouncements

(i) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease will be initially measured on a present value basis.

The adoption of IFRS 16 has significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges will be expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the consolidated statements of income.

Under IFRS 16, principal payments of the lease liability will be presented as financing activities in the consolidated statements of cash flows, whereas under the current standard these payments are presented as operating activities.

The retroactive adoption of IFRS 16 will have the following impacts on the 2018 and 2017 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		**2018**		2017
Purchase of goods and services	**$**	**(47.7)**	$	(45.5)
Depreciation and amortization		**36.4**		35.3
Financial expenses		**8.5**		9.9
Restructuring of operations		**(0.7)**		0.3
Deferred income tax expense		**0.9**		–
Net income and comprehensive income	**$**	**2.6**	$	–
Net income and comprehensive income attributable to:				
Shareholders	**$**	**2.1**	$	0.2
Non-controlling interests		**0.4**		(0.2)
Earnings per share attributable to shareholders	**$**	**0.01**	$	–

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Recent accounting pronouncements (continued)

(i) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019. (continued)

Consolidated balance sheets

Increase (decrease)	**December 31, 2018**	December 31, 2017
Right-of-use assets	**$ 123.7**	$ 144.6
Provisions	**(1.4)**	(1.4)
Lease liabilities[1]	**144.4**	167.9
Other liabilities	**(4.3)**	(3.4)
Deferred income tax liability	**(3.9)**	(4.9)
Deficit	**10.9**	9.1
Non-controlling interests	**(0.2)**	(4.5)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.4 million as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over Income Tax Treatments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments. The adoption of IFRIC 23 will not have a material impact on the consolidated financial statements.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	2018	2017 (restated, note 1(b))
Internet	**$ 1,079.3**	$ 1,030.9
Cable television	**996.7**	1,009.6
Mobile telephony	**534.4**	469.8
Cable telephony	**368.6**	397.8
Telecommunication equipment sales	**233.5**	219.0
Connection and data services	**108.2**	104.8
Over-the-top video	**47.0**	39.7
Advertising - television	**246.1**	267.5
Subscription - television	**126.2**	125.0
Soundstage and equipment leasing and post-production services	**68.4**	67.1
Advertising – newspapers and magazines	**106.0**	125.4
Circulation and other – newspapers and magazines	**146.0**	152.7
Other	**120.6**	115.8
	$ 4,181.0	$ 4,125.1

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2018	2017 (restated, note 1(b))
Employee costs	**$ 899.8**	$ 899.5
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(199.3)**	(187.4)
	700.5	712.1
Purchase of goods and services:		
Royalties, rights and creation costs	**681.7**	677.9
Cost of products sold	**380.2**	360.1
Service contracts	**154.3**	172.3
Marketing, circulation and distribution expenses	**105.9**	108.9
Building expenses	**91.8**	93.8
Other	**334.5**	382.8
	1,748.4	1,795.8
	$ 2,448.9	$ 2,507.9

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

	2018	2017
Interest on long-term debt and on debentures	**$ 312.9**	$ 299.4
Amortization of financing costs and long-term debt discount	**7.1**	7.1
Interest on net defined benefit liability	**6.7**	6.3
Loss (gain) on foreign currency translation on short-term monetary items	**2.3**	(2.0)
Other	**(5.5)**	(3.4)
	$ 323.5	$ 307.4

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2018	2017
Loss on embedded derivatives related to convertible debentures	**$ 60.4**	$ 197.4
Other	**0.9**	2.4
	$ 61.3	$ 199.8

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

In 2018, a net charge of $14.9 million was recorded relating mainly to various cost reduction initiatives across the Corporation and disposal of assets (net charges of $17.2 million in 2017 which were related to cost reduction initiatives, developments in certain litigations and the migration of subscribers from analog to digital services in the Telecommunications segment).

In 2018, an impairment charge on assets of $14.9 million was also recorded mainly in the Telecommunications segment as a result of restructuring initiatives.

7. GAIN ON SALE OF SPECTRUM LICENCES

On June 20, 2017, Videotron sold its Advanced Wireless Service (“AWS-1”) spectrum licence in the greater Toronto region to Rogers Communications Canada Inc. for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. The sale resulted in a gain on disposal of $87.8 million.

On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw Communications Inc. for a cash consideration of $430.0 million. The sale resulted in a gain on disposal of $243.1 million.

As a result of these transactions, tax benefits of $31.8 million, on previous years’ capital losses, were recognized in the consolidated statement of income in 2017.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSETS

		2018		2017
Impairment of goodwill	**$**	**–**	$	30.0
Impairment of intangible assets		**–**		13.8
	$	**–**	$	43.8

2017

During the third quarter of 2017, the Corporation performed an impairment test of its Magazines CGU in light of the continuous downtrend in revenues in this industry. The Corporation concluded that the recoverable amount was less than the carrying amount of the Magazines CGU and recorded a goodwill impairment charge of $30.0 million (including $1.5 million without any tax consequence) and an impairment charge of $12.4 million on intangible assets (including $3.1 million without any tax consequence).

An impairment charge on intangible assets of $1.4 million was also recorded in 2017 in other segments.

9. LOSS ON DEBT REFINANCING

2017

- On May 1, 2017, Videotron redeemed all of its issued and outstanding 6.875% Senior Notes due July 15, 2021, in aggregate principal amount of $125.0 million, for a cash consideration of $129.3 million.
- On May 1, 2017, Quebecor Media redeemed all of its issued and outstanding 7.375% Senior Notes due January 15, 2021, in aggregate principal amount of $325.0 million, for a cash consideration of $333.0 million.

These transactions resulted in a total loss of $15.6 million in 2017.

10. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.7% in 2018 (26.8% in 2017) and income taxes in the consolidated statements of income:

		2018		2017 (restated, note 1(b))
Income taxes at domestic statutory tax rate	**$**	**159.5**	$	175.9
Increase (reduction) resulting from:				
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates		**14.9**		4.4
Change in benefit arising from the recognition of current and prior year tax losses (note 7)		**(12.0)**		(34.4)
Non-deductible impairment of goodwill		**–**		0.4
Other		**(0.5)**		(0.4)
Income taxes	**$**	**161.9**	$	145.9

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. INCOME TAXES (continued)

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

	Consolidated balance sheets		Consolidated income statements	
	2018	2017 (restated, note 1(b))	**2018**	2017 (restated, note 1(b))
Loss carryforwards	**$ 102.6**	$ 90.4	**$ (12.2)**	$ 13.4
Accounts payable, accrued charges, provisions and deferred revenue	**17.6**	17.7	**0.1**	2.9
Defined benefit plans	**43.6**	38.8	**(3.1)**	(1.9)
Contract assets	**(54.3)**	(48.5)	**5.8**	7.4
Property, plant and equipment	**(481.0)**	(498.0)	**(17.0)**	83.8
Goodwill, intangible assets and other assets	**(233.4)**	(199.4)	**34.0**	43.9
Long-term debt, derivative financial instruments and exchangeable debentures	**(132.7)**	(125.7)	**1.3**	(7.4)
Other	**10.2**	8.7	**(1.9)**	(5.0)
	$ (727.4)	$ (716.0)	**$ 7.0**	$ 137.1

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

	2018	2017 (restated, note 1(b))
Balance at beginning of year	**$ (716.0)**	$ (608.8)
Recognized in income as continuing operations	**(7.0)**	(137.1)
Recognized in other comprehensive income	**(4.0)**	29.0
Other	**(0.4)**	0.9
Balance at end of year	**$ (727.4)**	$ (716.0)
Deferred income tax asset	**$ 51.8**	$ 33.2
Deferred income tax liability	**(779.2)**	(749.2)
	$ (727.4)	$ (716.0)

As of December 31, 2018, the Corporation had loss carryforwards for income tax purposes of $19.4 million available to reduce future taxable income, that will expire between 2035 and 2038. These losses have been recognized. The Corporation also had capital losses of $782.5 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. INCOME TAXES (continued)

There are no income tax consequences attached to the payment of dividends in 2018 or 2017 by the Corporation to its shareholders.

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2018	2017
		(restated, note 1(b))
Income from continuing operations attributable to shareholders	**$ 398.0**	$ 375.7
Impact of assumed conversion of stock options of subsidiaries	**(0.8)**	(1.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 397.2**	$ 374.6
Net income attributable to shareholders	**$ 401.5**	$ 390.5
Impact of assumed conversion of stock options of subsidiaries	**(0.8)**	(1.1)
Net income attributable to shareholders, adjusted for dilution effect	**$ 400.7**	$ 389.4
Weighted average number of shares outstanding (in millions)	**239.3**	241.8
Potentially dilutive effect of stock options of the Corporation	**0.5**	0.3
Weighted average number of diluted shares outstanding (in millions)	**239.8**	242.1

During the year ended December 31, 2018, 340,000 options of TVA Group Inc.'s ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (60,000 options of TVA Group's plan were excluded in 2017).

The diluted earnings per share calculation also does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2018 and 2017 since their impact is anti-dilutive.

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QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

2018

In 2018, the Corporation increased its interest in Quebecor Media from 81.5% to 100.0% as a result of the following transactions:

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), for a total aggregate purchase price of $1.54 billion, paid in cash. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 22).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,217.4 million of the purchase price over the carrying value of non-controlling interests of $472.6 million acquired was recorded as a $1,198.2 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

2017

- On July 6, 2017, Quebecor Media repurchased and cancelled 541,899 of its Common Shares held by CDP Capital for an amount of $37.7 million. On the same day, Quebecor Media also paid off a security held by CDP Capital for an amount of $6.2 million. This transaction resulted in an increase in the Corporation's interest in Quebecor Media from 81.1% to 81.5% and was accounted for as an equity transaction. Accordingly, the $27.0 million excess of the shares repurchase value and the security payment over the carrying value of non-controlling interests acquired, in the amount of $17.8 million, was recorded as a $25.7 million reduction in retained earnings and as a $0.4 million increase in accumulated other comprehensive loss.

(b) Business acquisitions

2018

- In 2018, the Corporation acquired businesses, included in the Media segment and in the Sport and Entertainment segment, for a total cash consideration of $10.3 million.

2017

- In 2017, the Corporation acquired a business, included in the Sports and Entertainment segment, for a cash consideration of $0.2 million.
- In 2017, a purchase price balance of $5.6 million was paid relating to a prior year business acquisition.

An amount of $0.6 million of goodwill is deductible for tax purposes in 2018 (none in 2017).

13. ACCOUNTS RECEIVABLE

	2018	2017
Trade	**$ 468.0**	$ 486.4
Other	**85.8**	57.0
	$ 553.8	$ 543.4

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INVENTORIES

	2018	2017
Finished goods	**$ 88.8**	$ 87.6
Programs, broadcast and distribution rights	**77.3**	78.2
Raw materials and supplies	**20.2**	22.3
	$ 186.3	$ 188.1

Cost of inventories included in purchase of goods and services amounted to $721.5 million in 2018 ($721.0 million in 2017). Write-downs of inventories totalling $4.7 million were recognized in purchase of goods and services in 2018 ($11.1 million in 2017).

15. PROPERTY, PLANT AND EQUIPMENT

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Cost					
Balance as of December 31, 2016	$ 641.8	$ 1,663.6	$ 5,549.1	$ 92.5	$ 7,947.0
Additions	36.2	145.5	364.4	56.0	602.1
Net change in additions financed with accounts payable	–	(2.0)	(3.4)	1.0	(4.4)
Reclassification	–	14.4	90.1	(104.5)	–
Retirement, disposals and other[1]	3.4	(70.3)	(98.4)	1.2	(164.1)
Balance as of December 31, 2017	681.4	1,751.2	5,901.8	46.2	8,380.6
Additions	20.3	151.4	297.3	84.0	553.0
Net change in additions financed with accounts payable	–	1.8	(11.9)	13.3	3.2
Reclassification	2.1	3.1	41.5	(46.7)	–
Reclassification to assets held for sale	(84.0)	–	–	–	(84.0)
Retirement, disposals and other[1]	(6.6)	(35.3)	(231.5)	(5.8)	(279.2)
Balance as of December 31, 2018	**$ 613.2**	**$ 1,872.2**	**$ 5,997.2**	**$ 91.0**	**$ 8,573.6**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecommuni-cation networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2016	$ 225.6	$ 1,088.3	$ 3,028.0	$ –	$ 4,341.9
Depreciation	21.0	199.1	384.0	–	604.1
Retirement, disposals and other[1]	3.3	(65.7)	(97.6)	–	(160.0)
Balance as of December 31, 2017	249.9	1,221.7	3,314.4	–	4,786.0
Depreciation	21.1	191.8	401.8	–	614.7
Reclassification to assets held for sale	(11.5)	–	–	–	(11.5)
Retirement, disposals and other[1]	(2.9)	(33.6)	(231.2)	–	(267.7)
As of December 31, 2018	**$ 256.9**	**$ 1,379.9**	**$ 3,485.0**	**$ –**	**$ 5,121.8**
Net carrying amount					
As of December 31, 2017	$ 431.5	$ 529.5	$ 2,587.4	$ 46.2	$ 3,594.6
As of December 31, 2018	**$ 356.3**	**$ 492.3**	**$ 2,512.2**	**$ 91.0**	**$ 3,451.8**

1 Includes also the net change in assets related to discontinued operations.

In 2017, the calculation of the depreciation of a component of the Corporation's telecommunication networks was changed in order to depreciate it over its useful life of 5 years, compared with 15 years previously. As a result, depreciation was increased by $21.0 million in 2017.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Cost						
Balance as of December 31, 2016	$ 1,006.9	$ 811.0	$ 121.1	$ 120.1	$ 25.1	$ 2,084.2
Additions	–	77.7	2.4	–	61.8	141.9
Net change in additions financed with accounts payable	–	13.9	–	–	12.3	26.2
Reclassification	–	32.1	–	–	(32.1)	–
Retirement, disposals and other (note 7)	(283.4)	(7.6)	(2.8)	–	(2.3)	(296.1)
Balance as of December 31, 2017	723.5	927.1	120.7	120.1	64.8	1,956.2
Additions	–	100.9	2.6	–	93.9	197.4
Net change in additions financed with accounts payable	–	(3.5)	–	–	68.1	64.6
Reclassification to assets held for sale	–	–	(5.1)	–	–	(5.1)
Reclassification	–	50.4	–	–	(50.4)	–
Retirement, disposals and other	–	(7.2)	1.2	(8.0)	(9.6)	(23.6)
Balance as of December 31, 2018	**$ 723.5**	**$ 1,067.7**	**$ 119.4**	**$ 112.1**	**$ 166.8**	**$ 2,189.5**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relationships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Accumulated amortization and impairment losses						
Balance as of December 31, 2016	$ 247.7	$ 461.8	$ 48.1	$ 102.6	$ –	$ 860.2
Amortization	–	93.0	10.8	–	–	103.8
Impairment losses (note 8)	–	1.4	4.4	8.0	–	13.8
Retirement, disposals and other	–	(2.9)	(1.8)	–	–	(4.7)
Balance as of December 31, 2017	247.7	553.3	61.5	110.6	–	973.1
Amortization	–	96.5	9.0	–	–	105.5
Reclassification to assets held for sale	–	–	(3.5)	–	–	(3.5)
Retirement, disposals and other	–	(9.9)	(3.0)	(8.0)	–	(20.9)
Balance as of December 31, 2018	**$ 247.7**	**$ 639.9**	**$ 64.0**	**$ 102.6**	**$ –**	**$ 1,054.2**
Net carrying amount						
As of December 31, 2017	$ 475.8	$ 373.8	$ 59.2	$ 9.5	$ 64.8	$ 983.1
As of December 31, 2018	**$ 475.8**	**$ 427.8**	**$ 55.4**	**$ 9.5**	**$ 166.8**	**$ 1,135.3**

The cost of internally generated intangible assets, mainly composed of software, was $593.0 million as of December 31, 2018 ($566.5 million as of December 31, 2017). For the year ended December 31, 2018, the Corporation recorded additions of internally generated intangible assets of $43.4 million ($70.5 million in 2017).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $360.6 million as of December 31, 2018 ($323.3 million as of December 31, 2017). For the year ended December 31, 2018, the Corporation recorded $40.7 million in amortization on its internally generated intangible assets ($44.9 million in 2017). The net carrying value of internally generated intangible assets was $232.4 million as of December 31, 2018 ($243.2 million as of December 31, 2017).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL

For the years ended December 31, 2018 and 2017, changes in the net carrying amount of goodwill are as follows:

	2018	2017
Cost		
Balance at beginning of year	**$ 5,688.6**	$ 5,688.2
Business acquisitions	**2.1**	0.4
Reclassification to assets held for sale	**(19.6)**	–
Balance at end of year	**5,671.1**	5,688.6
Accumulated impairment losses		
Balance at beginning of year	**2,992.8**	2,962.8
Impairment losses (note 8)	**–**	30.0
Balance at end of year	**2,992.8**	2,992.8
Net carrying amount	**$ 2,678.3**	$ 2,695.8

The net carrying amount of goodwill as of December 31, 2018 and 2017 was allocated to the following significant CGU groups:

	2018	2017
CGU groups		
Telecommunications	**$ 2,656.1**	$ 2,677.0
Other[1]	**22.2**	18.8
Total	**$ 2,678.3**	$ 2,695.8

[1] Includes mainly the CGUs related to Speciality film and television services, Book publishing and distribution, and Sports and Entertainment.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. GOODWILL (continued)

Recoverable amounts

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

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

The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

		2018		2017
CGU groups[1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**9.0 %**	**2.5 %**	8.5 %	2.5 %
Magazines	**–**	**–**	15.5	(2.0)
Other	**11.5 to 16.50**	**0.0 to 2.0**	12.0 to 16.5	0.0 to 2.0

1 In 2018 and 2017, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method.

Sensitivity of recoverable amounts

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. OTHER ASSETS

	2018	2017 (restated, note 1(b))
Contract assets[1]	**$ 204.9**	$ 183.6
Contract costs[2]	**103.0**	102.9
Programs, broadcast and distribution rights	**120.3**	121.4
Other	**48.5**	44.2
	476.7	452.1
Less current portion of contract assets	**(144.4)**	(132.8)
Less current portion of contract costs (included in “Other current assets”)	**(53.4)**	(55.9)
Less current portion of program, broadcast and distribution rights (included in “Inventories”)	**(77.3)**	(78.3)
	$ 201.6	$ 185.1

[1] Impairment loss on contract assets resulting from mobile contracts being cancelled prior their initial term amounted to $25.8 million in 2018 ($16.1 million in 2017), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

[2] Amortization amounted to $63.2 million in 2018 ($59.4 million in 2017).

19. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2018	2017
Trade and accruals	**$ 619.5**	$ 516.3
Salaries and employee benefits	**140.6**	144.0
Interest payable	**50.5**	53.8
Stock-based compensation	**21.4**	24.6
	$ 832.0	$ 738.7

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. PROVISIONS AND CONTINGENCIES

	Restructuring of operations	Contingencies, legal disputes and other	Total
Balance as of December 31, 2017	$ 5.9	$ 38.8	$ 44.7
Recognized in income	14.9	8.5	23.4
Payments	(13.8)	(1.7)	(15.5)
Other	–	0.9	0.9
Balance as of December 31, 2018	**$ 7.0**	**$ 46.5**	**$ 53.5**
Current portion	**$ 4.8**	**$ 28.7**	**$ 33.5**
Non-current portion (included in “Other liabilities”)	**2.2**	**17.8**	**20.0**

The recognition of provisions, in terms of both timing and amounts, requires the exercise of judgment based on relevant circumstances and events that can be subject to change over time. Provisions are primarily comprised of the following:

Restructuring of operations

Provisions for restructuring activities primarily cover severance payments related to initiatives to eliminate positions.

Contingencies and legal disputes

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on the Corporation’s results or on its financial position. Management of the Corporation, after taking legal advice, has established provisions for specific claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

Other

Other provisions are principally related to decommissioning obligations.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT

	Effective interest rate as of December 31, 2018		2018	2017
Quebecor				
Bank credit facility (i)	4.80	%	**$ 5.0**	$ 175.6
Other loan (ii)	3.76	%	**48.5**	49.8
			53.5	225.4
Quebecor Media (iii)				
Bank credit facilities (iv)	4.87	%	**451.7**	420.4
Senior Notes (v)			**1,659.2**	1,568.5
			2,110.9	1,988.9
Videotron (iii)				
Bank credit facilities (vii)	3.24	%	**742.0**	5.4
Senior Notes (v)			**3,502.4**	3,289.2
			4,244.4	3,294.6
TVA Group (iii)				
Bank credit facilities (vi), (viii)	3.79	%	**52.9**	62.9
Other			**–**	0.3
Total long-term debt			**6,461.7**	5,572.1
Change in fair value related to hedged interest rate risk			**2.5**	5.8
Financing fees, net of amortization			**(36.0)**	(41.3)
			(33.5)	(35.5)
			6,428.2	5,536.6
Less current portion			**(57.9)**	(20.4)
			$ 6,370.3	$ 5,516.2

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2020 in an amount of $50.0 million ($300.0 million in 2017). The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares owned of Quebecor Media. As of December 31, 2018, $5.0 million had been drawn on the secured revolving credit facility ($175.6 million in 2017).

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facilities of Quebecor Media are comprised of a US$350.0 million secured term loan "B" facility that matures in August 2020 and is bearing interest at LIBOR plus a premium of 2.25% and a $300.0 million secured revolving credit facility that matures in July 2020 and is bearing interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The term loan "B" facility provides for quarterly amortization payments totaling 1.00% per annum of the original principal amount, with the balance payable on August 17, 2020. These credit facilities contain covenants such as maintaining certain financial ratios, limitations on Quebecor Media ability to incur additional indebtedness, pay dividends, and make other distributions. They are secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2018, the credit facilities were secured by assets with a carrying value of $1,707.0 million ($3,045.4 million in 2017). As of December 31, 2018, and 2017, no amount had been drawn on the revolving credit facility, and as of December 31, 2018, $451.7 million was outstanding on the term loan "B" ($420.4 million in 2017).

On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain conditions and terms of the facility.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT (continued)

(v) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2018:

Principal amount	Annual nominal interest rate	Effective interest rate (after discount or premium at issuance)	Maturity date	Interest payable every 6 months on
Quebecor Media				
US$ 850.0	5.750 %	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	6.625 %	January 15, 2023	June and December 15
Videotron				
US$ 800.0	5.000 %	5.000 %	July 15, 2022	January and July 15
US$ 600.0	5.375 %	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	5.625 %	June 15, 2025	April and October 15
$ 375.0	5.750 %	5.750 %	January 15, 2026	March and September 15
US$ 600.0[1]	5.125 %	5.125 %	April 15, 2027	April and October 15

[1] The Notes were issued in April 2017 for net proceeds of $794.5 million, net of financing fees of $9.9 million.

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

(vii) The bank credit facility provides for a $1,500.0 million ($965.0 million in 2017) secured revolving credit facility that matures in July 2023. The revolving credit facility bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a margin, depending on Videotron's leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2018, the bank credit facility was secured by assets with a carrying value of $7,639.2 million ($6,665.7 million in 2017). The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2018, $742.0 million had been drawn on the secured revolving credit facility (no amount was drawn in 2017, while $5.4 million was outstanding in 2017 on an export financing facility that matured in June 2018).

In December 2018, Videotron entered into new unsecured on demand credit facilities, under which letters of credit were issued and filed with ISED Canada as pre-auction financial deposits in respect to its application to participate to the 600 MHz spectrum auction. Under ISED Canada published rules respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which can be withdrawn by Videotron at anytime prior to the auction commencement.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

21. LONG-TERM DEBT (continued)

(viii) The bank credit facilities of TVA Group comprise a secured revolving credit facility in the amount of $150.0 million, maturing in February 2019, and a secured term loan in the amount of $75.0 million, maturing in November 2019. TVA Group's revolving credit facility bears interest at floating rates based on Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate plus a premium determined by a leverage ratio. The term loan bears interest at floating rates based on Bankers' acceptance rate or Canadian prime rate plus a premium determined by a leverage ratio. The term loan provides for quarterly amortization payments commencing on December 20, 2015. The bank credit facilities contain covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. They are secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2018 and 2017, no amount had been drawn on the revolving credit facility, and as of December 31, 2018, $52.9 million was outstanding on the term loan ($62.9 million in 2017).

On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On December 31, 2018, the Corporation was in compliance with all debt covenants.

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

2019	$ 57.9
2020	454.4
2021	1.4
2022	1,135.5
2023	2,401.2
2024 and thereafter	2,411.3

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

22. CONVERTIBLE DEBENTURES

	Interest rate			2018		2017
Convertible Debentures maturing June 2024 (i), (ii)	4.00	%	**$**	**150.0**	$	–
Convertible Debentures maturing October 2018 (i), (iii)	4.125	%		**–**		450.0
			$	**150.0**	$	450.0

(i) Interest on the convertible debentures is payable semi-annually in cash, in Quebecor Class B Subordinate Voting Shares ("Quebecor Class B Shares") or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B share, subject to a floor price per share and a ceiling price per share. At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

(ii) On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B Shares in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

(iii) The outstanding 4.125% convertible debentures due October 15, 2018 for an aggregate principal amount of $450.0 million as of December 31, 2017 were redeemed in 2018 as a result of the following transactions:

- In February and May 2018, the Corporation issued notices of redemption of its 4.125% convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid in cash upon redemption of these debentures.
- On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018 of all its remaining outstanding 4.125% convertible debentures for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018 (note 24).

On July 14, 2017, Quebecor received a notice of conversion of an aggregate principal amount of $50.0 million of convertible debentures due October 15, 2018. The Corporation exercised its option to pay in cash.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. CONVERTIBLE DEBENTURES (continued)

The convertible debentures are presented separately as a financial liability and the cap and floor feature are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2018 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 2.07% (1.51% in 2017), a dividend yield of 0.77% (0.46% in 2017), and an expected volatility of 18.25% (13.80% in 2017). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2018 would have increased the loss on embedded derivatives related to convertible debentures by $3.9 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $3.9 million.

23. OTHER LIABILITIES

	Note		2018		2017
Defined benefit plans	31	$	**164.6**	$	149.4
Embedded derivatives related to convertible debentures	22		**5.2**		–
Deferred revenues			**14.6**		17.4
Stock-based compensation[1]	25		**20.5**		15.3
Other[2]			**35.1**		33.7
		$	**240.0**	$	215.8

[1] The current $21.4 million portion of stock-based compensation is included in accounts payable and accrued charges ($24.6 million in 2017) (note 19).

[2] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal nominal amount outstanding of $844.9 million as of December 31, 2018 and 2017 and a combined carrying value of $2.1 million as of December 31, 2018 and 2017. Exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligation without any consideration.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2016	77,596,544	$ 8.6	166,111,184	$ 314.7
Class A Shares converted into Class B Shares	(216,600)	–	216,600	–
Shares purchased and cancelled	–	–	(5,590,700)	(10.5)
Shares issued upon exercise of stock options	–	–	100,000	1.1
Balance as of December 31, 2017	77,379,944	8.6	160,837,084	305.3
Class A Shares converted into Class B Shares	(130,700)	–	130,700	–
Shares purchased and cancelled	–	–	(11,390,300)	(34.1)
Shares issued upon exercise of stock option	–	–	100,000	1.3
Shares issued upon redemption of convertible debentures (note 22 (iii))	–	–	30,129,869	784.8
Balance as of December 31, 2018	**77,249,244**	**$ 8.6**	**179,807,353**	**$ 1,057.3**

On August 8, 2018, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 7,800,000 Class B Shares representing approximately 5% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2018, the Corporation purchased and cancelled 11,390,300 Class B Shares for a total cash consideration of $291.7 million (5,590,700 Class B Shares for a total cash consideration of $127.5 million in 2017). The excess of $257.6 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2018 ($117.0 million in 2017).

In 2018, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.3 million (100,000 Class B Shares for a cash consideration of $1.1 million in 2017). As a result of this transaction, contributed surplus was increased by $1.2 million ($1.2 million in 2017) and stock-based compensation liability was reduced by the same amount.

On March 12, 2019, the Board of Directors of the Corporation declared a dividend of $0.055 per share on Class A Shares and Class B Shares, or approximately $14.1 million, payable on April 23, 2019 to shareholders of record at the close of business on March 29, 2019.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

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

The following table gives details on changes to outstanding options for the years ended December 31, 2018 and 2017:

		2018		2017
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**780,000**	**$ 12.25**	2,620,000	$ 12.68
Granted	**1,322,892**	**26.52**	–	–
Exercised	**(100,000)**	**12.75**	(1,260,000)	12.82
Cancelled	**(20,000)**	**26.52**	(580,000)	12.97
Balance at end of year	**1,982,892**	**$ 21.60**	780,000	$ 12.25
Vested options at end of year	**680,000**	**$ 12.17**	686,666	$ 11.97

During the year ended December 31, 2018, 100,000 Class B Shares of the Corporation were issued upon exercise of stock options (100,000 Class B Shares issued in 2017) (note 24). In 2017, 1,160,000 of the Corporation's stock options were exercised for a cash consideration of $8.2 million.

The following table gives summary information on outstanding options as of December 31, 2018:

		Outstanding options		**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$11.11 to 15.12	680,000	4.78	$ 12.17	680,000	$ 12.17
$26.52	1,302,892	9.78	26.52	–	–
$11.11 to 26.52	**1,982,892**	**7.28**	**$ 21.60**	**680,000**	**$ 12.17**

25. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Mid-term stock-based compensation plan

Under a mid-term stock-based compensation plan, participants are entitled to receive a cash payment at the end of a three-year period based on the appreciation of the Quebecor Class B share price, and subject to the achievement of certain non-market performance criteria. All the 187,220 units outstanding as of December 31, 2017 were exercised in 2018 for a cash consideration of $1.6 million (2,281,882 units for a cash consideration of $9.8 million in 2017).

(iii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of Corporation’s directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2018, and 2017, the total number of DSUs outstanding under this plan was 351,861 and 341,750, respectively.

(b) Quebecor Media stock option plan

Under a stock option plan established by the Quebecor Media 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

The following table gives details on changes to outstanding options granted as of December 31, 2018 and 2017:

		2018		2017
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**595,827**	**$ 62.84**	980,905	$ 61.71
Exercised	**(263,227)**	**60.31**	(215,978)	59.40
Cancelled	**(14,200)**	**70.06**	(169,100)	60.65
Balance at end of year	**318,400**	**$ 64.61**	595,827	$ 62.84
Vested options at end of year	**170,500**	**$ 61.07**	226,200	$ 58.78

During the year ended December 31, 2018, 263,227 of the Quebecor Media's stock options were exercised for a cash consideration of $10.7 million (215,978 stock options for $5.5 million in 2017).

The following table gives summary information on outstanding options as of December 31, 2018:

	Outstanding options			**Vested options**	
Range of exercise price	**Number**	**Weighted average years to maturity**	**Weighted average exercise price**	**Number**	**Weighted average exercise price**
$50.10 to 57.64	103,350	5.70	$ 56.05	40,500	$ 55,33
$63.50 to 70.56	215,050	5.30	67.88	130,000	68,29
$50.10 to 70.56	**318,400**	**5.43**	**$ 64.61**	**170,500**	**$ 61,07**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan

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

The following table gives details on changes to outstanding options for the years ended December 31, 2018 and 2017:

		2018		2017
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**60,000**	**$ 6.85**	357,632	$ 12.71
Granted	**280,000**	**2.16**	–	–
Cancelled	**–**	**–**	(134,915)	12.86
Expired	**–**	**–**	(162,717)	14.75
Balance at end of year	**340,000**	**$ 2.99**	60,000	$ 6.85
Vested options at end of year	**36,000**	**$ 6,85**	24,000	$ 6.85

As of December 31, 2018, exercise prices of all outstanding options are from $2.16 to $6.85 and the average of years to maturity is 9.1.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS (continued)

(d) Deferred share unit and performance share unit plans

On July 10, 2016, TVA Group established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans.

On July 13, 2016, Quebecor also established a DSU plan and a PSU plan for its employees and those of its subsidiaries. Both plans are based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2018, 171,551 DSUs based on Quebecor Class B Shares, 262,282 DSUs based on TVA Group Class B Shares, 253,421 PSUs based on Quebecor Class B Shares and 270,637 PSUs based on TVA Group Class B Shares were outstanding under these plans.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. STOCK-BASED COMPENSATION PLANS (continued)

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

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans as of December 31, 2018 and 2017:

December 31, 2018	**Quebecor**		**Quebecor Media**		**TVA Group**	
Risk-free interest rate	**2.04**	**%**	**1.97**	**%**	**2.06**	**%**
Distribution yield	**0.77**	**%**	**1.13**	**%**	**–**	**%**
Expected volatility	**17.79**	**%**	**16.11**	**%**	**47.07**	**%**
Expected remaining life	**4.3**	**years**	**1.5**	**years**	**5.2**	**years**

December 31, 2017	Quebecor		Quebecor Media		TVA Group	
Risk-free interest rate	1.83	%	1.80	%	1.97	%
Distribution yield	0.46	%	1.12	%	–	%
Expected volatility	17.58	%	16.70	%	50.78	%
Expected remaining life	2.4	years	2.3	years	3.6	years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability of vested options

As of December 31, 2018, the liability for all vested options was \$16.4 million as calculated using the intrinsic value (\$15.9 million as of December 31, 2017).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2018, a consolidated charge related to all stock-based compensation plans was recorded in the amount of \$19.4 million (\$21.0 million in 2017).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

26. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2016	$ (69.8)	$ (36.3)	$ (106.1)
Other comprehensive income (loss)	58.3	(2.5)	55.8
Non-controlling interests acquisition	(0.2)	(0.2)	(0.4)
Balance as of December 31, 2017	(11.7)	(39.0)	(50.7)
Other comprehensive loss	(8.6)	(4.2)	(12.8)
Non-controlling interests acquisition (note 12)	(10.4)	(8.8)	(19.2)
Balance as of December 31, 2018	**$ (30.7)**	**$ (52.0)**	**$ (82.7)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivative financial instruments designated as cash flow hedges. The balance is expected to reverse over an 8 1/4-year period.

27. COMMITMENTS

The Corporation rents premises and equipment under operating leases and has entered into long-term commitments to purchase services, tangible and intangible assets, broadcasting rights, and to pay licences and royalties. The operating leases have various terms, escalation clauses, purchase options and renewal rights. The minimum payments for the coming years are as follows:

	Leases	Other commitments
2019	$ 44,5	$ 247.4
2020 to 2023	74,7	648.4
2024 and thereafter	73,7	455.7

The Corporation’s operating lease expenses amounted to $61.6 million in 2018 ($63.8 million in 2017).

28. GUARANTEES

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

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2018, the maximum exposure with respect to these guarantees was $19.3 million and no liability has been recorded in the consolidated balance sheets.

Business and asset disposals

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

Outsourcing companies and suppliers

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

Other

One of the Corporation’s subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3056	$ 165.6	US$ 126.8

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item			Hedging instrument	
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$ 331.6	Bankers’ acceptance 3 months + 2.77%	1.0346
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers’ acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407
US$ drawing on revolver facility	2018 to 2019	US$ 160.0	Bankers’ acceptance 1 month + 0.42%	1.3417

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2018 and 2017 are as follows:

	2018		2017	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,461.7)**	**$ (6,444.9)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(150.6)**	**(150.6)**	(888.5)	(888.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**6.7**	**6.7**	(4.5)	(4.5)
Cross-currency interest rate swaps	**880.3**	**880.3**	562.2	562.2

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

2 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $840.6 million as of December 31, 2018 ($525.7 million in 2017) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $46.4 million as of December 31, 2018 ($32.0 million in 2017).

(c) Credit risk management

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

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2018, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2018, the provision for expected credit losses represented 2.7% of the gross amount of accounts receivable and contract assets (2.9% as of December 31, 2017), while 11.7% of trade receivable were 90 days past their billing date (11.3% as of December 31, 2017).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management (continued)

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2018 and 2017:

		2018		2017
Balance at beginning of year	**$**	**21.1**	$	28.1
Changes in expected credit losses charged to income		**19.6**		21.6
Write-off		**(20.2)**		(28.6)
Balance at end of year	**$**	**20.5**	$	21.1

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

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

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2018 (5.9 years as of December 31, 2017).

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2018, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 24.3**	$ 24.3	$ –	$ –	$ –
Accounts payable and accrued charges	**832.0**	832.0	–	–	–
Long-term debt[1]	**6,461.7**	57.9	455.8	3,536.7	2,411.3
Convertible debentures[2]	**150.0**	–	–	–	150.0
Interest payments[3]	**1,546.9**	260.8	595.7	443.4	247.0
Derivative financial instruments[4]	**(892.7)**	0.2	(105.1)	(618.1)	(169.7)
Total	**$ 8,122.2**	**$ 1,175.2**	**$ 946.4**	**$ 3,362.0**	**$ 2,638.6**

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

[2] Based on the market value at December 31, 2018 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

[3] Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2018.

[4] Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging.

(e) Market risk

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

<u>Foreign currency risk</u>

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2018, and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2018 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ **1.3**	$ **34.8**
Decrease of $0.10	**(1.3)**	**(34.8)**

A variance of $0.10 in the 2018 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $2.4 million on the value of unhedged purchase of goods and services and $4.4 million on the value of unhedged acquisitions of tangible and intangible assets in 2018.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2018, after taking into account the hedging instruments, long-term debt was comprised of 76.3% fixed-rate debt (84.7% in 2017) and 23.7% floating-rate debt (15.3% in 2017).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2018 was $13.2 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures (note 22), as of December 31, 2018, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ **(1.9)**	$ **(28.1)**
Decrease of 100 basis points	**1.9**	**28.1**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

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

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

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2018 and 2017 is as follows:

	2018	2017
Bank indebtedness	**$ 24.3**	$ 0.8
Long-term debt	**6,428.2**	5,536.6
Embedded derivatives related to convertible debentures	**5.2**	442.2
Convertible debentures	**150.0**	450.0
Derivative financial instruments	**(887.0)**	(557.7)
Cash and cash equivalents	**(21.0)**	(864.9)
Net liabilities	**5,699.7**	5,007.0
Equity	**$ 577.9**	$ 1,409.0

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

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

	2018	2017
Salaries and short-term benefits	**$ 10.6**	$ 9.7
Share-based compensation	**8.1**	10.0
Other long-term benefits	**2.5**	10.1
	$ 21.2	$ 29.8

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $2.8 million in 2018 and 2017. These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation’s pension plans are registered with a provincial or federal regulatory authority.

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

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

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2018 and 2017:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,332.9**	$ 1,287.2	**$ 60.5**	$ 73.4
Service costs	**36.4**	33.9	**2.1**	1.9
Interest costs	**46.4**	50.3	**2.8**	2.9
Plan participants' contributions	**11.1**	11.5	**–**	–
Actuarial (gain) loss arising from:				
Financial assumptions	**(76.2)**	82.6	**20.5**	5.4
Demographic assumptions	**–**	(8.6)	**(12.3)**	–
Participant experience	**(1.3)**	4.6	**(0.5)**	(21.2)
Benefits and settlements paid	**(56.0)**	(73.6)	**(1.7)**	(1.9)
Plan transfer	**–**	(55.4)	**–**	–
Other	**1.2**	0.4	**–**	–
Benefit obligations at the end of the year	**$ 1,294.5**	$ 1,332.9	**$ 71.4**	$ 60.5

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,267.3**	$ 1,244.4	**$ –**	$ –
Actual return on plan assets	**(37.5)**	106.5	**–**	–
Employer contributions	**34.9**	36.4	**1.7**	1.9
Plan participants' contributions	**11.1**	11.5	**–**	–
Administrative fees	**(2.5)**	(2.5)	**–**	–
Benefits and settlements paid	**(56.0)**	(73.6)	**(1.7)**	(1.9)
Plan transfer	**–**	(55.4)	**–**	–
Fair value of plan assets at the end of the year	**$ 1,217.3**	$ 1,267.3	**$ –**	$ –

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2018, the weighted average duration of defined benefit obligations was 15.6 years (16.5 years in 2017). The Corporation expects future benefit payments of $64.8 million in 2019.

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

Plan assets are comprised of:

	2018	2017
Equity securities:		
Canadian	**21.1 %**	23.6 %
Foreign	**31.2**	32.3
Debt securities	**46.6**	40.8
Other	**1.1**	3.3
	100.0 %	100.0 %

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

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

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

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Benefit obligations	**$ (1,294.5)**	$ (1,332.9)	**$ (71.4)**	$ (60.5)
Fair value of plan assets	**1,217.3**	1,267.3	**–**	–
Plan deficit	**(77.2)**	(65.6)	**(71.4)**	(60.5)
Asset limit and minimum funding adjustment	**(16.0)**	(20.4)	**–**	–
Net amount recognized[1]	**$ (93.2)**	$ (86.0)	**$ (71.4)**	$ (60.5)

[1] The net liability recognized for 2018 is $164.6 million and is included in "Other liabilities" (note 23) (an asset of $2.9 million was included in "Other assets" in 2017 and a liability of $149.4 million was included in "Other liabilities" in 2017).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Actuarial gain (loss) on benefit obligations	**$ 77.5**	$ (78.6)	**$ (7.7)**	$ 15.8
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**(80.9)**	59.1	**–**	–
Asset limit and minimum funding adjustment	**5.0**	(0.1)	**–**	–
Re-measurements gain (loss) recorded in other comprehensive income	**$ 1.6**	$ (19.6)	**$ (7.7)**	$ 15.8

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2018	2017	**2018**	2017
Employee costs:				
Service costs	**$ 36.4**	$ 33.9	**$ 2.1**	$ 1.9
Administrative fees and other	**3.7**	3.0	**–**	–
Interest on net defined benefit liability	**3.9**	3.4	**2.8**	2.9
Net benefit costs	**$ 44.0**	$ 40.3	**$ 4.9**	$ 4.8

The expense related to defined contribution pension plans amounted to $19.8 million in 2018 ($17.6 million in 2017).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $33.4 million in 2019, based on the most recent financial actuarial reports filed (contributions of $36.6 million were paid in 2018).

Assumptions

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

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

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions (continued)

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2018 and 2017 and current periodic benefit costs are as follows:

	Pension and postretirement benefits	
	2018	2017
Benefit obligations		
Rates as of year-end:		
Discount rate	**3.90 %**	3.50 %
Rate of compensation increase	**3.00**	3.00
Current periodic costs		
Rates as of preceding year-end:		
Discount rate	**3.50 %**	3.90 %
Rate of compensation increase	**3.00**	3.00

The assumed average retirement age of participants used was of 62 years in 2018 and 2017.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.9 % at the end of 2018. These costs, as per the estimate, are expected to decrease gradually over the next 10 years to 5.1% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $17.5 million and the postretirement benefits obligation by $1.5 million as of December 31, 2018. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2018 and 2017
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

32. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million which was fully paid in cash at the date of transaction. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, an estimated gain on disposal of $118.0 million will be accounted for in the first quarter of 2019, while an amount of $53.0 million from the proceeds received at the date of transaction will be deferred in connection with the estimated present value of the future conditional adjustments. The amount deferred will be revaluated on a quarterly basis and any change will be recorded in income from discontinued operations.

In 2017, a gain of $14.6 million, was accounted for mainly for digital credits in connection with the English-language newspaper operations sold in 2015.

The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statement of income and cash flows are as follows:

	2018	2017
Revenues	**$ 19.8**	$ 19.7
Expenses	**14.6**	14.8
Income taxes	**1.4**	1.3
Gain related to a business sold in 2015	**–**	(14.6)
Income from discontinued operations	**$ 3.8**	$ 18.2

	2018	2017
Cash flows related to operating activities	**$ 10.4**	$ 20.4
Cash flows related to investing activities	**(1.9)**	(3.5)
Cash flows provided by (used in) discontinued operations	**$ 8.5**	$ 16.9

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

	2018
Current assets	**$ 1.3**
Property, plant and equipment	**72.5**
Intangible assets and goodwill	**21.2**
Assets held for sale	**95.0**
Current liabilities held for sale	**(6.6)**
Net assets held for sale	**$ 88.4**

This is Exhibit 49 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2019 and 2018

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018

MANAGEMENT’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

(signed)

Hugues Simard
Chief Financial Officer

Montréal, Canada

March 11, 2020

INDEPENDENT AUDITORS' REPORT

To the shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2019, 2018 and 2017, and the consolidated statements of income, comprehensive income, equity and cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2019, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with International Financial Reporting Standards (IFRSs).

Basis of opinion

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

Other information

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

- Management's Discussion and Analysis.
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

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

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

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

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Ernst & Young LLP[1]

Montréal, Canada
March 11, 2020

[1] CPA auditor, CA. Public accountancy permit no. A120803

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars, except earnings per share data)

	Note		2019		2018
					(restated, note 1(b))
Revenues	2	**$**	**4,293.8**	$	4,181.0
Employee costs	3		**700.8**		700.5
Purchase of goods and services	3		**1,713.5**		1,704.2
Depreciation and amortization			**750.4**		753.1
Financial expenses	4		**327.5**		332.0
Loss on valuation and translation of financial instruments	5		**6.5**		61.3
Restructuring of operations, litigation, and other items	6		**28.6**		29.1
Income before income taxes			**766.5**		600.8
Income taxes:	7				
Current			**107.9**		154.9
Deferred			**97.8**		7.9
			205.7		162.8
Income from continuing operations			**560.8**		438.0
Income from discontinued operations	31		**97.5**		3.8
Net income		**$**	**658.3**	$	441.8
Income from continuing operations attributable to					
Shareholders		**$**	**555.3**	$	400.2
Non-controlling interests			**5.5**		37.8
Net income attributable to					
Shareholders		**$**	**652.8**	$	403.7
Non-controlling interests			**5.5**		38.1
Earnings per share attributable to shareholders	8				
Basic:					
From continuing operations		**$**	**2.17**	$	1.67
From discontinued operations			**0.38**		0.02
Net income			**2.55**		1.69
Diluted:					
From continuing operations			**2.17**		1.66
From discontinued operations			**0.38**		0.02
Net income			**2.55**		1.68
Weighted average number of shares outstanding (in millions)			**255.6**		239.3
Weighted average number of diluted shares (in millions)			**255.8**		239.8

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Note	2019	2018 (restated, note 1(b))
Income from continuing operations		**$ 560.8**	$ 438.0
Other comprehensive income from continuing operations:			
Items that may be reclassified to income:			
Cash flows hedges:			
Gain (loss) on valuation of derivative financial instruments		**73.8**	(10.1)
Deferred income taxes		**(2.8)**	(5.7)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss	30	**(70.1)**	(6.1)
Deferred income taxes		**18.7**	1.7
Reclassification to income:			
Gain related to cash flow hedges		**(1.1)**	–
Deferred income taxes		**0.7**	–
		19.2	(20.2)
Comprehensive income from continuing operations		**580.0**	417.8
Income from discontinued operations	31	**97.5**	3.8
Comprehensive income		**$ 677.5**	$ 421.6
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 573.9**	$ 387.4
Non-controlling interests		**6.1**	30.4
Comprehensive income attributable to			
Shareholders		**$ 671.4**	$ 390.9
Non-controlling interests		**6.1**	30.7

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 22)			(note 24)		
Balance as of December 31, 2017, as previously reported	$ 313.9	$ 3.5	$ 601.9	$ (50.7)	$ 540.4	$ 1,409.0
Changes in accounting policies (note 1(b))	–	–	(7.2)	–	(4.8)	(12.0)
Balance as of December 31, 2017, as restated	313.9	3.5	594.7	(50.7)	535.6	1,397.0
Net income	–	–	403.7	–	38.1	441.8
Other comprehensive loss	–	–	–	(12.8)	(7.4)	(20.2)
Issuance of Class B Shares	786.1	1.2	–	–	–	787.3
Dividends	–	–	(46.3)	–	(9.4)	(55.7)
Repurchase of Class B Shares	(34.1)	–	(257.6)	–	–	(291.7)
Non-controlling interests acquisition (note 9)	–	–	(1,202.4)	(19.2)	(468.4)	(1,690.0)
Balance as of December 31, 2018	1,065.9	4.7	(507.9)	(82.7)	88.5	568.5
Net income	–	–	652.8	–	5.5	658.3
Other comprehensive income	–	–	–	18.6	0.6	19.2
Issuance of Class B Shares	8.3	12.7	–	–	–	21.0
Dividends	–	–	(100.3)	–	–	(100.3)
Repurchase of Class B Shares	(18.3)	–	(76.3)	–	–	(94.6)
Balance as of December 31, 2019	**$ 1,055.9**	**$ 17.4**	**$ (31.7)**	**$ (64.1)**	**$ 94.6**	**$ 1,072.1**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Note	2019	2018 (restated, note 1(b))
Cash flows related to operating activities			
Income from continuing operations		**$ 560.8**	$ 438.0
Adjustments for:			
Depreciation of property, plant and equipment	12	**598.2**	611.2
Amortization of intangible assets	13	**116.7**	105.5
Amortization of right-of-use assets	14	**35.5**	36.4
Loss on valuation and translation of financial instruments	5	**6.5**	61.3
Impairment of assets	6	**18.8**	14.9
Amortization of financing fees and long-term debt discount	4	**8.1**	7.1
Deferred income taxes	7	**97.8**	7.9
Other		**(1.3)**	(4.6)
		1,441.1	1,277.7
Net change in non-cash balances related to operating activities		**(229.3)**	146.3
Cash flows provided by continuing operating activities		**1,211.8**	1,424.0
Cash flows related to investing activities			
Business acquisitions	9	**(35.6)**	(10.3)
Business disposals	31	**260.7**	–
Additions to property, plant and equipment	12	**(501.6)**	(549.5)
Additions to intangible assets	13	**(496.9)**	(197.4)
Proceeds from disposals of assets		**4.2**	9.4
Non-controlling interests acquisition	9	**–**	(1,540.0)
Other		**(30.6)**	(11.3)
Cash flows used in continuing investing activities		**(799.8)**	(2,299.1)
Cash flows related to financing activities			
Net change in bank indebtedness		**5.1**	23.5
Net change under revolving facilities	18	**(589.5)**	565.8
Issuance of long-term debt, net of financing fees	18	**790.7**	–
Repayment of long-term debt	18	**(488.6)**	(20.5)
Repayment of lease liabilities	19	**(39.4)**	(40.0)
Repayment of convertible debentures	21	**–**	(158.4)
Settlement of hedging contracts		**90.0**	(1.6)
Issuance of Class B Shares	22	**8.3**	1.3
Repurchase of Class B Shares	22	**(94.6)**	(291.7)
Dividends		**(100.3)**	(46.3)
Dividends or distributions paid to non-controlling interests		**–**	(9.4)
Cash flows (used in) provided by continuing financing activities		**(418.3)**	22.7
Net change in cash and cash equivalents from continuing operations		**$ (6.3)**	$ (852.4)

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Note	2019	2018 (restated, note 1(b))
Net change in cash and cash equivalents from continuing operations		**$ (6.3)**	$ (852.4)
Cash flows (used in) provided by discontinued operations	31	**(0.7)**	8.5
Cash and cash equivalents at the beginning of the year		**21.0**	864.9
Cash and cash equivalents at the end of the year		**$ 14.0**	$ 21.0

Additional information on the consolidated statements of cash flows

	2019	2018
Cash and cash equivalents consist of		
Cash	**$ 5.1**	$ 20.2
Cash equivalents	**8.9**	0.8
	$ 14.0	$ 21.0
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)		
Accounts receivable	**$ 20.0**	$ (9.3)
Contract assets	**(16.7)**	(21.3)
Inventories	**(32.1)**	(4.2)
Accounts payable, accrued charges and provisions	**(18.4)**	32.7
Income taxes	**(133.1)**	134.2
Deferred revenues	**(12.9)**	(5.7)
Defined benefit plans	**(15.3)**	12.6
Other	**(20.8)**	7.3
	$ (229.3)	$ 146.3
Interest and taxes reflected as operating activities		
Cash interest payments	**$ 307.2**	$ 324.8
Cash income tax payments (net of refunds)	**238.9**	18.0

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

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2019, 2018 and 2017
(in millions of Canadian dollars)

	Note	2019	2018 (restated, note 1(b))	2017 (restated, note 1(b))
Assets				
Current assets				
Cash and cash equivalents		**$ 14.0**	$ 21.0	$ 864.9
Accounts receivable	10	**548.0**	553.8	543.4
Contract assets	16	**168.3**	144.4	132.8
Income taxes	7	**19.1**	4.8	29.3
Inventories	11	**240.4**	203.1	199.3
Other current assets		**121.2**	101.5	106.4
Assets held for sale	31	**–**	95.0	–
		1,111.0	1,123.6	1,876.1
Non-current assets				
Property, plant and equipment	12	**3,415.9**	3,467.3	3,610.1
Intangible assets	13	**1,444.0**	1,135.3	983.1
Goodwill	15	**2,692.9**	2,678.3	2,695.8
Right-of-use assets	14	**110.4**	112.6	133.5
Derivative financial instruments	28	**679.8**	887.0	591.8
Deferred income taxes	7	**31.2**	51.8	33.2
Other assets	16	**240.7**	201.6	185.1
		8,614.9	8,533.9	8,232.6
Total assets		**$ 9,725.9**	$ 9,657.5	$ 10,108.7

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2019, 2018 and 2017
(in millions of Canadian dollars)

	Note	**2019**	2018	2017
			(restated, note 1(b))	(restated, note 1(b))
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 29.4**	$ 24.3	$ 0.8
Accounts payable, accrued charges and provisions	17	**809.6**	830.8	762.7
Deferred revenues		**332.7**	340.7	346.8
Income taxes	7	**4.2**	119.2	13.3
Convertible debentures	21	**–**	–	450.0
Embedded derivatives related to convertible debentures	21	**–**	–	442.2
Current portion of long-term debt	18	**57.2**	57.9	20.4
Current portion of lease liabilities	19	**31.3**	36.0	39.8
Liabilities held for sale	31	**–**	6.6	–
		1,264.4	1,415.5	2,076.0
Non-current liabilities				
Long-term debt	18	**5,900.3**	6,370.3	5,516.2
Derivative financial instruments	28	**2.1**	–	34.1
Convertible debentures	21	**150.0**	150.0	–
Lease liabilities	19	**106.6**	108.4	128.1
Deferred income taxes	7	**859.2**	775.9	744.9
Other liabilities	20	**371.2**	268.9	212.4
		7,389.4	7,673.5	6,635.7
Equity				
Capital stock	22	**1,055.9**	1,065.9	313.9
Contributed surplus		**17.4**	4.7	3.5
(Deficit) retained earnings		**(31.7)**	(507.9)	594.7
Accumulated other comprehensive loss	24	**(64.1)**	(82.7)	(50.7)
Equity attributable to shareholders		**977.5**	480.0	861.4
Non-controlling interests		**94.6**	88.5	535.6
		1,072.1	568.5	1,397.0
Commitments and contingencies	25, 27			
Total liabilities and equity		**$ 9,725.9**	$ 9,657.5	$ 10,108.7

See accompanying notes to consolidated financial statements.

On March 11, 2020, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2019, 2018 and 2017.

On behalf of the Board of Directors,

(signed)

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

(signed)

Normand Provost
Director

QUEBECOR INC.
SEGMENTED INFORMATION

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with interests in Quebecor Media Inc. ("Quebecor Media") and in subsidiaries controlled by Quebecor Media. On June 22, 2018, Quebecor Media became a wholly owned subsidiary of the Corporation. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media Inc. refers to Quebecor Media Inc. and its subsidiaries. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

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

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

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

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2019
Revenues	**$ 3,480.4**	**$ 738.0**	**$ 192.2**	**$ (116.8)**	**$ 4,293.8**
Employee costs	**398.6**	**228.6**	**38.6**	**35.0**	**700.8**
Purchase of goods and services	**1,278.4**	**434.6**	**146.3**	**(145.8)**	**1,713.5**
Adjusted EBITDA[1]	**1,803.4**	**74.8**	**7.3**	**(6.0)**	**1,879.5**
Depreciation and amortization					**750.4**
Financial expenses					**327.5**
Loss on valuation and translation of financial instruments					**6.5**
Restructuring of operations, litigation and other items					**28.6**
Income before income taxes					**$ 766.5**
Additions to property, plant and equipment	**$ 476.8**	**$ 21.8**	**$ 1.3**	**$ 1.7**	**$ 501.6**
Additions to intangible assets	**468.0**	**24.8**	**3.5**	**0.6**	**496.9**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

Years ended December 31, 2019 and 2018
(in millions of Canadian dollars)

	Telecom- munications	Media	Sports and Entertainment	Head Office and Inter- segments	Total
					2018
					(restated, note 1(b))
Revenues	$ 3,382.0	$ 728.6	$ 182.1	$ (111.7)	$ 4,181.0
Employee costs	387.1	234.4	38.8	40.2	700.5
Purchase of goods and services	1,279.3	434.2	132.8	(142.1)	1,704.2
Adjusted EBITDA[1]	1,715.6	60.0	10.5	(9.8)	1,776.3
Depreciation and amortization					753.1
Financial expenses					332.0
Loss on valuation and translation of financial instruments					61.3
Restructuring of operations, litigation and other items					29.1
Income before income taxes					$ 600.8
Additions to property, plant and equipment	$ 513.2	$ 28.7	$ 1.5	$ 6.1	$ 549.5
Additions to intangible assets	190.2	4.8	3.5	(1.1)	197.4

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

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

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

Comparative figures for the year ended December 31, 2018 have been restated to conform to the presentation adopted for the year ended December 31, 2019.

(b) Changes in accounting policies

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related lease liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		2018
Purchase of goods and services	$	(44.2)
Depreciation and amortization		32.9
Financial expenses		8.5
Restructuring of operations, litigation and other items		(0.7)
Deferred income tax expense		0.9
Net income and comprehensive income	$	2.6
Net income and comprehensive income attributable to:		
Shareholders	$	2.2
Non-controlling interests		0.4

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Changes in accounting policies (continued)

(i) IFRS 16 – *Leases* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interests	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

(ii) IFRIC 23 - *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements

(c) Consolidation

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

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

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

(d) Business acquisition

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

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

(f) Revenue recognition

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

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

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

Telecommunications

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

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue recognition (continued)

Media

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

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

Sports and Entertainment

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

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

(g) Impairment of assets

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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

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

(h) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

(i) Income taxes

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

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

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

(j) Leases

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments

Classification, recognition and measurement

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

Derivative financial instruments and hedge accounting

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

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

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.
- The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

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

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

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Financing fees

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

(m) Tax credits and government assistance

The Corporation has access to several government programs designed to support production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, the Corporation receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(n) Cash and cash equivalents

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

(o) Accounts receivable and contract assets

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

(p) Inventories

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Inventories (continued)

In particular, inventories related to audiovisual content are accounted for as follows:

(i) Productions

Productions are accounted for at the lesser of cost and net realizable value. Cost includes direct employees and goods and services costs and general expenses allocated to each production. The production costs are charged to operating expenses when the productions are broadcast or using a method based on how future economic benefits from the productions will be generated.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined, (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are charged to operating expenses when televisual products and movies are broadcast over the contract period, using a method based on how future economic benefits from those rights will be generated.

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

(q) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Property, plant and equipment

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

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

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

Assets	Estimated useful lives
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

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

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

The Corporation does not record any decommissioning obligations in connection with its cable distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets.

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

(s) Goodwill and intangible assets

<u>Goodwill</u>

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

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Goodwill and intangible assets (continued)

Intangible assets

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

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

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

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

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

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

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

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

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

(t) Contract costs

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

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

(v) Stock-based compensation

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

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 23.

(w) Pension plans and postretirement benefits

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

(i) Defined contribution pension plans

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

(ii) Defined benefit pension plans and postretirement plans

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

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

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

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Pension plans and postretirement benefits (continued)

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

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

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

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

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

(x) Convertible debentures

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

(y) Use of estimates and judgments

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

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

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 15.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Use of estimates and judgments (continued)

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

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheets. Key assumptions and a sensitivity analysis on the discount rate are presented in note 30.

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. More specifically, an assessment of the probable outcomes of legal proceedings or other contingencies is also required. Management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements, is presented in note 27.

(iv) Contingent considerations and future conditional adjustment

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

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

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

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

(ii) Indefinite useful life of spectrum licences

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

(iii) Interpretation of laws and regulations

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	2019	2018
Telecommunications:		
Internet	**$ 1,114.3**	$ 1,079.3
Cable television	**974.4**	996.7
Mobile telephony	**600.7**	534.4
Cable telephony	**341.1**	368.6
Equipment sales	**269.8**	233.5
Other	**180.1**	169.5
Media:		
Advertising	**339.8**	352.4
Subscription	**210.5**	201.6
Other	**187.7**	174.6
Sports and Entertainment	**192.2**	182.1
Inter-segments	**(116.8)**	(111.7)
	$ 4,293.8	$ 4,181.0

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2019	2018
		(restated, note 1(b))
Employee costs	**$ 911.0**	$ 899.8
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(210.2)**	(199.3)
	700.8	700.5
Purchase of goods and services:		
Royalties, rights and creation costs	**662.7**	681.7
Cost of products sold	**415.3**	380.2
Service contracts	**158.2**	154.3
Marketing, circulation and distribution expenses	**106.7**	105.9
Other	**370.6**	382.1
	1,713.5	1,704.2
	$ 2,414.3	$ 2,404.7

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

4. FINANCIAL EXPENSES

		2019		2018
				(restated, note 1(b))
Interest on long-term debt and on debentures	**$**	**307.3**	$	312.9
Amortization of financing fees and long-term debt discount		**8.1**		7.1
Interest on lease liabilities		**7.9**		8.5
Interest on net defined benefit liability		**7.2**		6.7
(Gain) loss on foreign currency translation on short-term monetary items		**(2.2)**		2.3
Other		**(0.8)**		(5.5)
	$	**327.5**	$	332.0

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

		2019		2018
Loss on embedded derivatives related to convertible debentures	**$**	**5.7**	$	60.4
Other		**0.8**		0.9
	$	**6.5**	$	61.3

6. RESTRUCTURING OF OPERATIONS, LITIGATION AND OTHER ITEMS

In 2019, a net charge of $9.8 million was recorded relating mainly to various cost reduction initiatives across the Corporation (net charges of $14.2 million in 2018 which were related to cost reduction initiatives, developments in certain litigations, the migration of subscribers from analog to digital services in the Telecommunications segment and disposal of assets).

In 2019, an impairment charge on assets of $18.8 million was also recorded mainly in the Telecommunications segment as a result of restructuring initiatives ($14.9 million in 2018).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

7. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.6% in 2019 (26.7% in 2018) and income taxes in the consolidated statements of income:

	2019	2018 (restated, note 1(b))
Income taxes at domestic statutory tax rate	**$ 203.9**	$ 160.4
Increase (reduction) resulting from:		
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**1.1**	14.9
Change in benefit arising from the recognition of current and prior year tax losses (note 7)	**–**	(12.0)
Other	**0.7**	(0.5)
Income taxes	**$ 205.7**	$ 162.8

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

	Consolidated balance sheets		**Consolidated income statements**	
	2019	2018 (restated, note 1(b))	**2019**	2018 (restated, note 1(b))
Loss carryforwards	**$ 81.1**	$ 102.6	**$ 3.0**	$ (12.2)
Accounts payable, accrued charges, provisions and deferred revenue	**10.7**	17.6	**6.9**	0.1
Defined benefit plans	**58.4**	43.6	**3.9**	(3.1)
Contract assets	**(58.8)**	(54.3)	**4.5**	5.8
Property, plant and equipment	**(489.6)**	(481.0)	**8.6**	(17.0)
Goodwill, intangible assets and other assets	**(301.8)**	(233.4)	**64.3**	34.0
Long-term debt, derivative financial instruments and exchangeable debentures	**(137.8)**	(132.7)	**3.0**	1.3
Other	**9.8**	13.5	**3.6**	(1.0)
	$ (828.0)	$ (724.1)	**$ 97.8**	$ 7.9

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

7. INCOME TAXES (continued)

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

		2019		2018 (restated, note 1(b))
Balance at beginning of year	**$**	**(724.1)**	$	(711.7)
Recognized in income as continuing operations		**(97.8)**		(7.9)
Recognized in other comprehensive income		**16.6**		(4.0)
Business acquisitions		**(4.1)**		–
Discontinued operations and other		**(18.6)**		(0.5)
Balance at end of year	**$**	**(828.0)**	$	(724.1)
Deferred income tax asset	**$**	**31.2**	$	51.8
Deferred income tax liability		**(859.2)**		(775.9)
	$	**(828.0)**	$	(724.1)

As of December 31, 2019, the Corporation had loss carryforwards for income tax purposes of $14.9 million available to reduce future taxable income, that will expire between 2035 and 2039. These losses have been recognized. The Corporation also had capital losses of $638.5 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

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

	2019	2018 (restated, note 1(b))
Income from continuing operations attributable to shareholders	**$ 555.3**	$ 400.2
Impact of assumed conversion of stock options of subsidiaries	**(0.5)**	(0.8)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 554.8**	$ 399.4
Net income attributable to shareholders	**$ 652.8**	$ 403.7
Impact of assumed conversion of stock options of subsidiaries	**(0.5)**	(0.8)
Net income attributable to shareholders, adjusted for dilution effect	**$ 652.3**	$ 402.9
Weighted average number of shares outstanding (in millions)	**255.6**	239.3
Potentially dilutive effect of stock options of the Corporation (in millions)	**0.2**	0.5
Weighted average number of diluted shares outstanding (in millions)	**255.8**	239.8

During the year ended December 31, 2019, 515,000 options of TVA Group Inc.'s ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive (340,000 options of TVA Group's plan were excluded in 2018).

The diluted earnings per share calculation also does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2019 and 2018 since their impact is anti-dilutive.

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QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. NON-CONTROLLING INTERESTS AND BUSINESS ACQUISITIONS

(a) Non-controlling interests acquisitions

In 2018, the Corporation increased its interest in Quebecor Media from 81.5% to 100.0% as a result of the following transactions:

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), for a total aggregate purchase price of $1.54 billion, paid in cash. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 22).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,221.6 million of the purchase price over the carrying value of non-controlling interests of $468.4 million acquired was recorded as a $1,202.4 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

(b) Business acquisitions

2019

- On February 13, 2019, TVA Group acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consist mainly of intangible assets and goodwill.
- On April 1, 2019, TVA Group acquired the Incendo Media inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

2018

- In 2018, the Corporation acquired businesses, included in the Media segment and in the Sport and Entertainment segment, for a total cash consideration of $10.3 million.

10. ACCOUNTS RECEIVABLE

	2019	2018
Trade	**$ 461.0**	$ 468.0
Other	**87.0**	85.8
	$ 548.0	$ 553.8

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

11. INVENTORIES

	2019	2018
Audiovisual content	**$ 119.3**	$ 94.1
Finished goods	**93.5**	88.8
Raw materials and supplies	**27.6**	20.2
	$ 240.4	$ 203.1

Cost of inventories included in purchase of goods and services amounted to $721.8 million in 2019 ($721.5 million in 2018). Write-downs of inventories totalling $6.3 million were recognized in purchase of goods and services in 2019 ($4.7 million in 2018).

12. PROPERTY, PLANT AND EQUIPMENT

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

	Land, buildings and leasehold improvements	**Machinery and equipment**	**Telecom-munication networks**	**Projects under development**	**Total**
Cost					
Balance as of December 31, 2017	$ 681.4	$ 1,751.2	$ 5,917.3	$ 46.2	$ 8,396.1
Additions	20.3	151.4	293.8	84.0	549.5
Net change in additions financed with accounts payable	–	1.8	(11.9)	13.3	3.2
Reclassification	2.1	3.1	41.5	(46.7)	–
Reclassification to assets held for sale	(84.0)	–	–	–	(84.0)
Retirement, disposals and other[1]	(6.6)	(35.3)	(231.5)	(5.8)	(279.2)
Balance as of December 31, 2018	613.2	1,872.2	6,009.2	91.0	8,585.6
Additions	22.8	107.8	252.5	118.5	501.6
Net change in additions financed with accounts payable	0.5	(6.0)	(5.4)	(4.5)	(15.4)
Reclassification	3.4	86.0	88.8	(105.7)	72.5
Retirement, disposals and other[1]	(3.5)	(74.7)	(17.9)	(2.3)	(98.4)
Balance as of December 31, 2019	**$ 636.4**	**$ 1,985.3**	**$ 6,327.2**	**$ 97.0**	**$ 9,045.9**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Telecom-munication networks	Projects under development	Total
Accumulated depreciation and impairment losses					
Balance as of December 31, 2017	$ 249.9	$ 1,221.7	$ 3,314.4	$ –	$ 4,786.0
Depreciation	21.1	191.8	398.3	–	611.2
Reclassification to assets held for sale	(11.5)	–	–	–	(11.5)
Retirement, disposals and other[1]	(2.6)	(33.6)	(231.2)	–	(267.4)
Balance as of December 31, 2018	256.9	1,379.9	3,481.5	–	5,118.3
Depreciation	21.9	174.0	402.3	–	598.2
Retirement, disposals and other[1]	(2.5)	(70.2)	(13.8)	–	(86.5)
As of December 31, 2019	**$ 276.3**	**$ 1,483.7**	**$ 3,870.0**	**$ –**	**$ 5,630.0**
Net carrying amount					
As of December 31, 2018	$ 356.3	$ 492.3	$ 2,527.7	$ 91.0	$ 3,467.3
As of December 31, 2019	**$ 360.1**	**$ 501.6**	**$ 2,457.2**	**$ 97.0**	**$ 3,415.9**

1 Includes also the net change in assets related to discontinued operations.

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QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. INTANGIBLE ASSETS

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

	Spectrum licences	Software	Customer relation-ships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Cost						
Balance as of December 31, 2017	$ 723.5	$ 927.1	$ 120.7	$ 120.1	$ 64.8	$ 1,956.2
Additions	–	100.9	2.6	–	93.9	197.4
Net change in additions financed with accounts payable	–	(3.5)	–	–	68.1	64.6
Reclassification to assets held for sale	–	–	(5.1)	–	–	(5.1)
Reclassification	–	50.4	–	–	(50.4)	–
Retirement, disposals and other	–	(7.2)	1.2	(8.0)	(9.6)	(23.6)
Balance as of December 31, 2018	723.5	1,067.7	119.4	112.1	166.8	2,189.5
Additions[1]	255.8	209.6	2.5	–	29.0	496.9
Net change in additions financed with accounts payable	–	(73.9)	–	–	62.7	(11.2)
Business acquisition	–	1.2	20.0	–	–	21.2
Reclassification	–	80.0	–	–	(152.5)	(72.5)
Retirement, disposals and other	–	(13.9)	(5.0)	–	(2.5)	(21.4)
Balance as of December 31, 2019	**$ 979.3**	**$ 1,270.7**	**$ 136.9**	**$ 112.1**	**$ 103.5**	**$ 2,602.5**

[1] On April 10, 2019, Videotron acquired 10 spectrum licences in the 600 MHz band covering Eastern, Southern and Northern Quebec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Customer relation-ships, naming rights and other	Broadcasting licences, trademarks and sport franchises	Projects under development	Total
Accumulated amortization and impairment losses						
Balance as of December 31, 2017	$ 247.7	$ 553.3	$ 61.5	$ 110.6	$ –	$ 973.1
Amortization	–	96.5	9.0	–	–	105.5
Reclassification to assets held for sale	–	–	(3.5)	–	–	(3.5)
Retirement, disposals and other	–	(9.9)	(3.0)	(8.0)	–	(20.9)
Balance as of December 31, 2018	247.7	639.9	64.0	102.6	–	1,054.2
Amortization	–	105.2	11.5	–	–	116.7
Retirement, disposals and other	–	(7.5)	(4.9)	–	–	(12.4)
Balance as of December 31, 2019	**$ 247.7**	**$ 737.6**	**$ 70.6**	**$ 102.6**	**$ –**	**$ 1,158.5**
Net carrying amount						
As of December 31, 2018	$ 475.8	$ 427.8	$ 55.4	$ 9.5	$ 166.8	$ 1,135.3
As of December 31, 2019	**$ 731.6**	**$ 533.1**	**$ 66.3**	**$ 9.5**	**$ 103.5**	**$ 1,444.0**

The cost of internally generated intangible assets, mainly composed of software, was $651.8 million as of December 31, 2019 ($593.0 million as of December 31, 2018). For the year ended December 31, 2019, the Corporation recorded additions of internally generated intangible assets of $65.2 million ($43.4 million in 2018).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $401.8 million as of December 31, 2019 ($360.6 million as of December 31, 2018). For the year ended December 31, 2019, the Corporation recorded $45.2 million in amortization on its internally generated intangible assets ($40.7 million in 2018). The net carrying value of internally generated intangible assets was $250.1 million as of December 31, 2019 ($232.4 million as of December 31, 2018).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. RIGHT-OF-USE ASSETS

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

	2019	2018
		(restated, note 1(b))
Cost		
Balance at beginning of year	**$ 278.7**	$ 281.9
Additions financed with lease obligations	**33.9**	17.1
Retirement and other	**(12.7)**	(24.6)
Balance at end of year	**299.9**	274.4
Accumulated depreciation		
Balance at beginning of year	**166.1**	148.4
Depreciation	**35.5**	36.4
Retirement and other	**(12.1)**	(23.0)
Balance at end of year	**189.5**	161.8
Net carrying amount	**$ 110.4**	$ 112.6

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

15. GOODWILL

For the years ended December 31, 2019 and 2018, changes in the net carrying amount of goodwill are as follows:

	2019	2018
Cost		
Balance at beginning of year	**$ 5,671.1**	$ 5,688.6
Business acquisitions	**14.6**	2.1
Reclassification to assets held for sale	**–**	(19.6)
Balance at end of year	**5,685.7**	5,671.1
Accumulated impairment losses		
Balance at beginning and at end of year	**2,992.8**	2,992.8
Net carrying amount	**$ 2,692.9**	$ 2,678.3

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2019 and 2018 was allocated to the following significant CGU groups:

	2019	2018
CGU groups		
Telecommunications	**$ 2,656.1**	$ 2,656.1
Other[1]	**36.8**	22.2
Total	**$ 2,692.9**	$ 2,678.3

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

Recoverable amounts

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

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

	2019		2018	
CGU groups[1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications[2]	**9.0 %**	**2.5 %**	9.0 %	2.5 %
Other	**11.0 to 14.0**	**(1.0) to 2.0**	11.5 to 16.5	0.0 to 2.0

[1] In 2019 and 2018, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method.

[2] The same recoverable amount used in the 2018 annual impairment test was used in 2019. Accordingly, pre-tax discount rate and perpetual growth rate are the same in 2019 and 2018.

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. OTHER ASSETS

		2019		2018
Contract assets[1]	**$**	**221.5**	$	204.9
Audiovisual content		**174.0**		137.1
Contract costs[2]		**112.2**		103.0
Other		**75.1**		48.5
		582.8		493.5
Less current portion of contract assets		**(168.3)**		(144.4)
Less current portion of audiovisual content (included in “Inventories”)		**(119.3)**		(94.1)
Less current portion of contract costs (included in “Other current assets”)		**(54.5)**		(53.4)
	$	**240.7**	$	201.6

1 Impairment loss on contract assets resulting from mobile contracts being cancelled prior their initial term amounted to $19.7 million in 2019 ($25.8 million in 2018), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

2 Amortization amounted to $63.6 million in 2019 ($63.2 million in 2018).

17. ACCOUNTS PAYABLE, ACCRUED CHARGES AND PROVISIONS

		2019		2018
Trade and accruals	**$**	**578.7**	$	586.3
Salaries and employee benefits		**145.8**		140.6
Interest payable		**57.0**		50.5
Provisions		**15.9**		32.0
Stock-based compensation		**12.2**		21.4
	$	**809.6**	$	830.8

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT

	Effective interest rate as of December 31, 2019	2019	2018
Quebecor			
Bank credit facility (i)	4.35 %	**$ 11.0**	$ 5.0
Other loan (ii)	3.76 %	**47.2**	48.5
		58.2	53.5
Quebecor Media (iii)			
Bank credit facility (iv)	4.65 %	**9.0**	451.7
Senior Notes (v)		**1,611.7**	1,659.2
		1,620.7	2,110.9
Videotron (iii), (vi)			
Bank credit facility (vii)	3.28 %	**89.3**	742.0
Senior Notes (v)		**4,173.0**	3,502.4
		4,262.3	4,244.4
TVA Group (iii), (vi)			
Bank credit facility (viii)	3.39 %	**44.9**	52.9
Total long-term debt		**5,986.1**	6,461.7
Change in fair value related to hedged interest rate risk		**9.1**	2.5
Financing fees, net of amortization		**(37.7)**	(36.0)
		(28.6)	(33.5)
		5,957.5	6,428.2
Less current portion		**(57.2)**	(57.9)
		$ 5,900.3	$ 6,370.3

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT (continued)

(i) The bank credit facility of Quebecor is a revolving credit facility maturing in 2020 in an amount of $50.0 million. The availability under this facility is dependent on the market value of a portion of the Corporation's interest in Quebecor Media. The credit agreement governing this credit facility contains covenants such as limiting its ability to incur additional indebtedness. The borrowed amounts bear interest at floating rates based on Bankers' acceptance rate, U.S. London Interbank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by a leverage ratio. The credit facility is secured by a limited number of shares of Quebecor Media. As of December 31, 2019, $11.0 million was drawn on the secured revolving credit facility ($5.0 million as of December 31, 2018).

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

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

(iv) The bank credit facility of Quebecor Media provides for a $300.0 million secured revolving credit facility that matures in July 2022 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by Quebecor Media's leverage ratio. This credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. It is secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2019, the credit facility was secured by assets with a carrying value of $1,727.4 million ($1,714.6 million in 2018). An amount of $9.0 million was drawn on the secured revolving credit facility as of December 31, 2019 (none as of December 31, 2018). An amount of $451.7 million was outstanding as of December 31, 2018 on a term loan "B" prepaid in 2019.

(v) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2019:

Principal amount		Annual nominal interest rate	Maturity date	Interest payable every 6 months on
Quebecor Media				
US$	850.0	5.750 %	January 15, 2023	June and December 15
$	500.0	6.625 %	January 15, 2023	June and December 15
Videotron				
US$	800.0	5.000 %	July 15, 2022	January and July 15
US$	600.0	5.375 %	June 15, 2024	June and December 15
$	400.0	5.625 %	June 15, 2025	April and October 15
$	375.0	5.750 %	January 15, 2026	March and September 15
US$	600.0[1]	5.125 %	April 15, 2027	April and October 15
$	800.0[2]	4.500 %	January 15, 2030	April and October 15

[1] The Notes were issued in April 2017 for net proceeds of $794.5 million, net of financing fees of $9.9 million.

[2] The Notes were issued in October 2019 for net proceeds of $790.7 million, net of financing fees of $9.3 million.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT (continued)

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

(vii) The bank credit facility of Videotron provides for a $1,500.0 million secured revolving credit facility that matures in July 2023 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by Videotron's leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2019, the bank credit facility was secured by assets with a carrying value of $8,062.9 million ($7,748.9 million in 2018). The bank credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2019, $89.3 million was drawn on the secured revolving credit facility ($742.0 million was drawn as of December 31, 2018).

(viii) The bank credit facility of TVA Group provides for a secured revolving credit facility in the amount of $150.0 million that matures in February 2020 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by TVA Group's leverage ratio. The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. The credit facility is secured by liens on all of its movable assets and an immovable hypothec on its Head Office building. As of December 31, 2019, $44.9 million was drawn on the revolving credit facility (none as of December 31, 2018). An amount of $52.9 million was outstanding as of December 31, 2018 on a secured term loan repaid in 2019.

On February 21, 2020, TVA Group amended it secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions.

On December 31, 2019, the Corporation was in compliance with all debt covenants.

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

2020	$	57.2
2021		1.4
2022		1,092.7
2023		1,701.0
2024		779.4
2025 and thereafter		2,354.4

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

18. LONG-TERM DEBT (continued)

Changes in long-term debt are as follows:

	2019	2018
Balance at beginning of year	$ 6,428.2	$ 5,536.6
Net change under revolving facilities, net of financing fees	(589.5)	565.8
Issuance of long-term debt, net of financing fees	790.7	–
Repayment of long-term debt	(488.6)	(20.5)
Foreign currency translation	(198.2)	342.0
Amortization of financing fees ang long-term debt discount	8.1	7.1
Change in fair value related to hedged interest rate risk	6.6	(3.3)
Other	0.2	0.5
Balance at end of year	**$ 5,957.5**	$ 6,428.2

19. LEASE LIABILITIES

Changes in lease liabilities are as follows:

	2019	2018 (restated, note 1(b))
Balance at beginning of year	$ 144.4	$ 167.9
Lease obligations financing right-of-use assets	33.9	17.1
Repayments	(39.4)	(40.0)
Other	(1.0)	(0.6)
Balance at end of year	**$ 137.9**	$ 144.4

Interest rates on lease liabilities ranged from 0.6% to 9.3% as of December 31, 2019 and 2018.

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

2020	$ 31.3
2021	23.3
2022	17.4
2023	13.7
2024	8.6
2025 and thereafter	43.6

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. OTHER LIABILITIES

	Note		**2019**		2018
					(restated, note 1(b))
Defined benefit plans	30	**$**	**221.5**	$	164.6
Contingent considerations and future conditional adjustments			**57.4**		–
Other[1]			**92.3**		104.3
		$	**371.2**	$	268.9

[1] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal amount outstanding of $844.9 million as of December 31, 2019 and 2018 and a combined carrying value of $2.1 million as of December 31, 2019 and 2018. The exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligations without any consideration.

21. CONVERTIBLE DEBENTURES

	Interest rate		**2019**		2018
Convertible Debentures maturing June 2024 (i), (ii)	4.000 %	**$**	**150.0**	$	150.0
Convertible Debentures maturing October 2018 (i), (iii)	4.125 %		**–**		–
		$	**150.0**	$	150.0

(i) Interest on the convertible debentures is payable semi-annually in cash, in Quebecor Class B Subordinate Voting Shares ("Quebecor Class B Shares") or with the proceeds from the sale of Quebecor Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Quebecor Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Quebecor Class B share, subject to a floor price per share and a ceiling price per share. At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Quebecor Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Quebecor Class B Shares and (ii) the then current market price of a Quebecor Class B share.

21. CONVERTIBLE DEBENTURES (continued)

(ii) On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B Shares in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

(iii) The outstanding 4.125% convertible debentures due October 15, 2018 for an aggregate principal amount of $450.0 million as of December 31, 2017 were redeemed in 2018 as a result of the following transactions:

- In February and May 2018, the Corporation issued notices of redemption of its 4.125% convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid in cash upon redemption of these debentures.
- On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018 of all its remaining outstanding 4.125% convertible debentures for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018 (note 24).

The principal amount of the convertible debentures is presented separately as a financial liability and the conversion features related to the floor and ceiling prices are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2019 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 1.80% (2.07% in 2018), a dividend yield of 1.35% (0.77% in 2018), and an expected volatility of 18.08% (18.25% in 2018). A one dollar increase in the market price of a Quebecor Class B share as of December 31, 2019 would have increased the loss on embedded derivatives related to convertible debentures by $3.8 million, while a one dollar decrease in the market price of a Quebecor Class B share would have decreased the loss by $3.8 million.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. CAPITAL STOCK

(a) Authorized capital stock

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

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

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

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2017	77,379,944	$ 8.6	160,837,084	$ 305.3
Class A Shares converted into Class B Shares	(130,700)	–	130,700	–
Shares purchased and cancelled	–	–	(11,390,300)	(34.1)
Shares issued upon exercise of stock options	–	–	100,000	1.3
Shares issued upon redemption of convertible debentures (note 22 (iii))	–	–	30,129,869	784.8
Balance as of December 31, 2018	77,249,244	8.6	179,807,353	1,057.3
Class A Shares converted into Class B Shares	(35,410)	–	35,410	–
Shares purchased and cancelled	–	–	(3,107,356)	(18.3)
Shares issued upon exercise of stock option	–	–	680,000	8.3
Balance as of December 31, 2019	**77,213,834**	**$ 8.6**	**177,415,407**	**$ 1,047.3**

On August 7, 2019, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2019, the Corporation purchased and cancelled 3,107,356 Class B Shares for a total cash consideration of $94.6 million (11,390,300 Class B Shares for a total cash consideration of $291.7 million in 2018). The excess of $76.3 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of deficit in 2019 ($257.6 million in 2018).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million (100,000 Class B Shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $12.7 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

On March 11, 2020, the Board of Directors of the Corporation declared a dividend of $0.20 per share on Class A Shares and Class B Shares, or approximately $50.8 million, payable on April 21, 2020, to shareholders of record at the close of business on March 27, 2020.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

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

The following table gives details on changes to outstanding options for the years ended December 31, 2019 and 2018:

		2019		2018
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**1,982,892**	**$ 21.60**	780,000	$ 12.25
Granted	**1,403,250**	**31.61**	1,322,892	26.52
Exercised	**(680,000)**	**12.17**	(100,000)	12.75
Cancelled	**(201,250)**	**28.57**	(20,000)	26.52
Balance at end of year	**2,504,892**	**$ 29.21**	1,982,892	$ 21.60
Vested options at end of year	**–**	**$ –**	680,000	$ 12.17

During the year ended December 31, 2019, the Corporation issued 680,000 Class B Shares upon exercise of stock options (100,000 Class B Shares issued in 2018) (note 22).

As of December 31, 2019, exercise prices of all outstanding options are from $26.52 to $32.20 and the average of years to maturity is 9.1.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2019, the total number of DSUs outstanding under this plan was 357,470.

(b) Quebecor Media stock option plan

Under a stock option plan established by the Quebecor Media 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

The following table gives details on changes to outstanding options granted as of December 31, 2019 and 2018:

	2019		2018	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**318,400**	**$ 64.61**	595,827	$ 62.84
Exercised	**(147,400)**	**62.41**	(263,227)	60.31
Cancelled	**(41,800)**	**69.91**	(14,200)	70.06
Balance at end of year	**129,200**	**$ 65.41**	318,400	$ 64.61
Vested options at end of year	**97,550**	**$ 63.74**	170,500	$ 61.07

During the year ended December 31, 2019, 147,400 of the Quebecor Media's stock options were exercised for a cash consideration of $7.4 million (263,227 stock options for $10.7 million in 2018).

As of December 31, 2019, exercise prices of all outstanding options are from $50.01 to $70.56 and the average of years to maturity is 4.5.

(c) TVA Group stock option plan

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

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2019 and 2018:

		2019		2018
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**340,000**	**$ 2.99**	60,000	$ 6.85
Granted	**290,000**	**2.05**	280,000	2.16
Cancelled	**(115,000)**	**3.13**	–	–
Balance at end of year	**515,000**	**$ 2.43**	340,000	$ 2.99
Vested options at end of year	**28,000**	**$ 6.85**	36,000	$ 6.85

As of December 31, 2019, exercise prices of all outstanding options are from $2.05 to $6.85 and the average of years to maturity is 8.8.

(d) Deferred share unit and performance share unit plans

Quebecor established a DSU plan and PSU plan for its employees and those of its subsidiaries based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. TVA Group also established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2019, 158,855 DSUs based on Quebecor Class B Shares, 231,286 DSUs based on TVA Group Class B Shares, 117,972 PSUs based on Quebecor Class B Shares and 131,129 PSUs based on TVA Group Class B Shares were outstanding under these plans. A cash consideration of $5.4 million was paid upon PSUs redemption in 2019.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

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

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

December 31, 2019	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**1.80 %**	**1.79 %**	**1.80 %**
Distribution yield	**1.35 %**	**1.00 %**	**– %**
Expected volatility	**17.94 %**	**14.53 %**	**51.81 %**
Expected remaining life	**5.1 years**	**1.1 years**	**4.9 years**

December 31, 2018	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	2.04 %	1.97 %	2.06 %
Distribution yield	0.77 %	1.13 %	– %
Expected volatility	17.79 %	16.11 %	47.07 %
Expected remaining life	4.3 years	1.5 years	5.2 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability of vested options

As of December 31, 2019, the liability for all vested options was $6.0 million as calculated using the intrinsic value ($16.4 million as of December 31, 2018).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $13.6 million ($19.4 million in 2018).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2017	$ (11.7)	$ (39.0)	$ (50.7)
Other comprehensive loss	(8.6)	(4.2)	(12.8)
Non-controlling interests acquisition	(10.4)	(8.8)	(19.2)
Balance as of December 31, 2018	(30.7)	(52.0)	(82.7)
Other comprehensive income (loss)	70.6	(52.0)	18.6
Balance as of December 31, 2019	**$ 39.9**	**$ (104.0)**	**$ (64.1)**

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

25. COMMITMENTS

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

2020	$ 462.8
2021 to 2024	787.3
2025 and thereafter	422.2

26. GUARANTEES

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

Business and asset disposals

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

Outsourcing companies and suppliers

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

27. CONTINGENCIES

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

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

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a retrospective reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC's order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On November 22, 2019, the leave to appeal was granted by the Federal Court of Appeal and the interim stay of the CRTC's order granted by this court on September 27, 2019, was extended until a final ruling by the Federal Court of Appeal is made. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3195	$ 139.2	US$ 105.5

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2019 and 2018 are as follows:

		2019		2018
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,986.1)**	**$ (6,376.2)**	$ (6,461.7)	$ (6,444.9)
Convertible debenture[2]	**(162.0)**	**(162.0)**	(150.6)	(150.6)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**(2.1)**	**(2.1)**	6.7	6.7
Cross-currency interest rate swaps	**679.8**	**679.8**	880.3	880.3

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $635.5 million as of December 31, 2019 ($840.6 million in 2018) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $42.2 million as of December 31, 2019 ($46.4 million in 2018).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2019, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2019, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.7% as of December 31, 2018), while 7.2 % of trade receivable were 90 days past their billing date (11.7% as of December 31, 2018).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2019 and 2018:

		2019		2018
Balance at beginning of year	**$**	**20.5**	$	21.1
Changes in expected credit losses charged to income		**18.8**		19.6
Write-off		**(19.7)**		(20.2)
Balance at end of year	**$**	**19.6**	$	20.5

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.2 years as of December 31, 2019 (5.1 years as of December 31, 2018).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases and dividends to shareholders. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) paid by Quebecor Media.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2019, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt and on convertible debentures, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	$ **29.4**	$ 29.4	$ –	$ –	$ –
Accounts payable and accrued charges	**793.7**	793.7	–	–	–
Long-term debt[1]	**5,986.1**	57.2	1,094.1	2,480.4	2,354.4
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments on long-term debt[3]	**1,514.9**	253.3	616.3	314.2	331.1
Lease liabilities	**137.9**	31.3	40.7	22.3	43.6
Interest payments on lease liabilities	**44.5**	6.5	9.2	6.2	22.6
Derivative financial instruments[4]	**(607.8)**	1.6	(236.6)	(397.8)	25.0
Total	**$ 8,048.7**	**$ 1,173.0**	**$ 1,523.7**	**$ 2,575.3**	**$ 2,776.7**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 Based on the market value at December 31, 2019 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2019.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on principal debt denominated in U.S. dollars.

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways and mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2019, and to hedge its exposure on certain purchases of set-top boxes, gateways and mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2019 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ 1.2	$ 38.8
Decrease of $0.10	(1.2)	(38.8)

A variance of $0.10 in the 2019 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $2.9 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2019.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2019, after taking into account the hedging instruments, long-term debt was comprised of 93.9% fixed-rate debt (76.3% in 2018) and 6.1% floating-rate debt (23.7% in 2018).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2019 was $3.3 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 21), as of December 31, 2019, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ (1.5)	$ (18.0)
Decrease of 100 basis points	1.5	18.0

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2019 and 2018 is as follows:

	2019	2018
Bank indebtedness	**$ 29.4**	$ 24.3
Long-term debt	**5,957.5**	6,428.2
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**15.8**	5.2
Lease liabilities	**137.9**	144.4
Derivative financial instruments	**(677.7)**	(887.0)
Cash and cash equivalents	**(14.0)**	(21.0)
Net liabilities	**5,598.9**	5,844.1
Equity	**$ 1,072.1**	$ 568.5

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercorporation transactions, and the declaration and payment of dividends or other distributions.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	2019	2018
Salaries and short-term benefits	**$ 10.9**	$ 10.6
Share-based compensation	**4.9**	8.1
Other long-term benefits	**2.5**	2.5
	$ 18.3	$ 21.2

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $3.8 million in 2019 ($2.8 million in 2018). These transactions were accounted for at the consideration agreed between parties.

30. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, various final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, members of the Corporation's management and independent members or by the Corporation, in accordance with the provisions of each plan. Under the Corporation's rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committees or the Corporation, as the case may be. Policies include those on investment objectives, risk-mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2019 and 2018:

	Pension benefits		Postretirement benefits	
	2019	2018	**2019**	2018
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,294.5**	$ 1,332.9	**$ 71.4**	$ 60.5
Service costs	**30.4**	36.4	**2.3**	2.1
Interest costs	**51.9**	46.4	**2.6**	2.8
Plan participants' contributions	**10.0**	11.1	**–**	–
Actuarial loss (gain) arising from:				
Financial assumptions	**168.4**	(76.2)	**14.1**	20.5
Demographic assumptions	**6.4**	–	**0.3**	(12.3)
Participant experience	**(3.3)**	(1.3)	**(3.0)**	(0.5)
Benefits and settlements paid	**(67.5)**	(56.0)	**(1.6)**	(1.7)
Plan amendments and other	**1.9**	1.2	**(23.2)**	–
Benefit obligations at the end of the year	**$ 1,492.7**	$ 1,294.5	**$ 62.9**	$ 71.4
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,217.3**	$ 1,267.3	**$ –**	$ –
Actual return on plan assets	**155.9**	(37.5)	**–**	–
Employer contributions	**32.5**	34.9	**1.6**	1.7
Plan participants' contributions	**10.0**	11.1	**–**	–
Administrative fees	**(2.4)**	(2.5)	**–**	–
Benefits and settlements paid	**(67.5)**	(56.0)	**(1.6)**	(1.7)
Fair value of plan assets at the end of the year	**$ 1,345.8**	$ 1,217.3	**$ –**	$ –

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2019, the weighted average duration of defined benefit obligations was 15.5 years (15.6 years in 2018). The Corporation expects future benefit payments of $63.1 million in 2020.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed**,** whereby a mix of equities and fixed-income investments is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2019		2018	
Equity securities:				
Canadian	**16.5**	**%**	21.1	%
Foreign	**25.4**		31.2	
Debt securities	**57.4**		46.6	
Other	**0.7**		1.1	
	100.0	**%**	100.0	%

The fair value of equity and debt securities is based on quoted prices in an active market, while the fair value of other investments is not based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amounts recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		**Postretirement benefits**	
	2019	2018	**2019**	2018
Benefit obligations	**$ (1,492.7)**	$ (1,294.5)	**$ (62.9)**	$ (71.4)
Fair value of plan assets	**1,345.8**	1,217.3	**–**	–
Plan deficit	**(146.9)**	(77.2)	**(62.9)**	(71.4)
Asset limit and minimum funding adjustment	**(11.7)**	(16.0)	**–**	–
Net amount recognized[1]	**$ (158.6)**	$ (93.2)	**$ (62.9)**	$ (71.4)

[1] The net liability recognized for 2019 is $221.5 million ($164.6 million in 2018) and is included in "Other liabilities" (note 20).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2019	2018	**2019**	2018
Actuarial (loss) gain on benefit obligations	**$ (171.5)**	$ 77.5	**$ (11.4)**	$ (7.7)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**107.9**	(80.9)	**–**	–
Asset limit and minimum funding adjustment	**4.9**	5.0	**–**	–
Re-measurements (loss) gain recorded in other comprehensive income	**$ (58.7)**	$ 1.6	**$ (11.4)**	$ (7.7)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2019	2018	**2019**	2018
Employee costs:				
Service costs	**$ 30.4**	$ 36.4	**$ 2.3**	$ 2.1
Plan amendments, administrative fees and other	**4.4**	3.7	**(23.2)**	–
Interest on net defined benefit liability	**4.4**	3.9	**2.6**	2.8
Net benefit costs (gain)	**$ 39.2**	$ 44.0	**$ (18.3)**	$ 4.9

The expense related to defined contribution pension plans amounted to $19.6 million in 2019 ($19.8 million in 2018).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $33.6 million in 2020, based on the most recent financial actuarial reports filed (contributions of $34.6 million were paid in 2019).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2019 and 2018 and current periodic benefit costs are as follows:

	Pension and postretirement benefits	
	2019	2018
Benefit obligations		
Rates as of year-end:		
Discount rate	**3.10 %**	3.90 %
Rate of compensation increase	**3.00**	3.00
Current periodic costs		
Rates as of preceding year-end:		
Discount rate	**3.90 %**	3.50 %
Rate of compensation increase	**3.00**	3.00

The assumed average retirement age of participants used ranged from 59 to 62 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.60 % at the end of 2019. These costs, as per the estimate, are expected to decrease gradually over the next 8 years to 5.50% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $21.5 million and the postretirement benefits obligation by $1.3 million as of December 31, 2019. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments.

The results of operations and cash flows of this business were reclassified as discontinued operations in the consolidated statement of income and cash flows are as follows:

		2019		2018
Revenues	**$**	**1.5**	$	19.8
Expenses		**1.2**		14.6
Income taxes		**–**		1.4
Gain on disposal of a business, net of income taxes		**97.2**		–
Income from discontinued operations	**$**	**97.5**	$	3.8

		2019		2018
Cash flows related to operating activities	**$**	**(0.7)**	$	10.4
Cash flows related to investing activities		**–**		(1.9)
Cash flows (used in) provided by discontinued operations	**$**	**(0.7)**	$	8.5

Components of assets and liabilities classified as held for sale in the consolidated balance sheet are as follows:

		2018
Current assets	$	1.3
Property, plant and equipment		72.5
Intangible assets and goodwill		21.2
Assets held for sale		95.0
Current liabilities held for sale		(6.6)
Net assets held for sale	$	88.4

This is Exhibit 50 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2020 and 2019

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of Quebecor Inc. and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements, that assets are properly accounted for and safeguarded and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit and Risk Management Committee, consisting solely of outside directors. The Audit and Risk Management Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit and Risk Management Committee meets with Quebecor Inc.'s management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit and Risk Management Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

(signed)

Hugues Simard
Chief Financial Officer

Montréal, Canada

February 24, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Timing of revenue recognition from subscriber services in the Telecommunications segment	
As disclosed in Note 1 (e) to the consolidated financial statements, the Telecommunications segment recognizes revenue from subscriber services, such as television distribution, Internet access and wireline and mobile telephony, when the services are provided. Operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided, and the portion of revenues that is invoiced and unearned is presented as deferred revenue. The Corporation recognized $3,622.6 million of revenues for the year ended December 31, 2020 related to these services.	To test the timing of revenue recognition from subscriber services, our audit procedures included, among others, the following: • We obtained an understanding, evaluated the design, and tested the operating effectiveness of manual controls, as well as the application controls and the IT general controls with the assistance of our IT specialists, related to the timing of revenue recognition for Telecommunications subscriber services; • We reperformed management's calculation of the entire deferred revenue balance related to these subscriber services as of December 31, 2020;

INDEPENDENT AUDITOR'S REPORT (continued)

The Corporation's revenue recognition process involves several information technology ("IT") applications responsible for the initiation, processing, and recording of transactions from the Corporation's various customers, and the calculation and allocation of revenue by service in accordance with the Corporation's accounting policy. The timing of revenue recognition is considered a key audit matter due to the complexity in our audit procedures considering the high volume of subscribers, each receiving different services with varying invoicing schedules.

- We tested a sample of the relevant data used for the calculation of the deferred revenue balance related to the Telecommunications subscriber services as of December 31, 2020, by comparing the invoice date, the invoice amount, and the types of services to the invoice and the related cash receipt;
- We corroborated, by agreeing to supporting documentation, the appropriateness of any manual entries posted to the deferred revenue accounts; and
- We independently developed expectations of revenue per user by service type and compared it to the average revenue per user by service type.

Capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment

As disclosed in Note 3 to the consolidated financial statements, $200.0 million of labor costs were capitalized to property, plant and equipment and to intangible assets during the year ended December 31, 2020, of which a significant portion relates to the Telecommunications segment.

Given the high volume of internal projects for which many employees are working on, the capitalization of labor costs is considered to be a key audit matter in the Telecommunications segment.

To test the capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment, our audit procedures included, among others, the following:

- We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to the capitalization of labor costs;
- We discussed with project managers, for a sample of significant projects, the nature of the project and the nature of the costs capitalized, and analyzed variances compared to the budget for each cost category, including labor costs. We corroborated variances compared to the budget to supporting documents such as invoices or employee timesheets;
- We corroborated time capitalized by comparing the number of hours worked by an employee on a specific project to the approved timesheet; and
- We also performed analytical procedures by comparing the proportion of internal labor per project to prior year.

INDEPENDENT AUDITOR'S REPORT (continued)

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis;
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP[1]

Montréal (Canada)
February 24, 2021

[1] CPA auditor, CA, Public accountancy permit no. A120803

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2020 and 2019
(in millions of Canadian dollars, except earnings per share data)

	Note	2020	2019
Revenues	2	**$ 4,317.8**	$ 4,293.8
Employee costs	3	**635.5**	700.8
Purchase of goods and services	3	**1,729.7**	1,713.5
Depreciation and amortization	12, 13, 14	**803.2**	750.4
Financial expenses	4	**328.2**	327.5
(Gain) loss on valuation and translation of financial instruments	5	**(8.0)**	6.5
Restructuring of operations and other items	6	**39.2**	28.6
Income before income taxes		**790.0**	766.5
Income taxes (recovery):	7		
Current		**208.7**	107.9
Deferred		**(2.9)**	97.8
		205.8	205.7
Income from continuing operations		**584.2**	560.8
Income from discontinued operations	31	**33.2**	97.5
Net income		**$ 617.4**	$ 658.3
Income from continuing operations attributable to			
Shareholders		**$ 574.0**	$ 555.3
Non-controlling interests		**10.2**	5.5
Net income attributable to			
Shareholders		**$ 607.2**	$ 652.8
Non-controlling interests		**10.2**	5.5
Earnings per share attributable to shareholders	8		
Basic:			
From continuing operations		**$ 2.28**	$ 2.17
From discontinued operations		**0.13**	0.38
Net income		**2.41**	2.55
Diluted:			
From continuing operations		**2.22**	2.17
From discontinued operations		**0.13**	0.38
Net income		**2.35**	2.55
Weighted average number of shares outstanding (in millions)		**251.6**	255.6
Weighted average number of diluted shares (in millions)		**256.3**	255.8

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2020 and 2019
(in millions of Canadian dollars)

	Note	**2020**	2019
Income from continuing operations		**$ 584.2**	$ 560.8
Other comprehensive (loss) income from continuing operations:			
Items that may be reclassified to income:			
Cash flow hedges:			
(Loss) gain on valuation of derivative financial instruments		**(17.1)**	73.8
Deferred income taxes		**6.4**	(2.8)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement loss	30	**(84.7)**	(70.1)
Deferred income taxes		**22.5**	18.7
Reclassification to income:			
Gain related to cash flow hedges		**–**	(1.1)
Deferred income taxes		**–**	0.7
		(72.9)	19.2
Comprehensive income from continuing operations		**511.3**	580.0
Income from discontinued operations	31	**33.2**	97.5
Comprehensive income		**$ 544.5**	$ 677.5
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 504.2**	$ 573.9
Non-controlling interests		**7.1**	6.1
Comprehensive income attributable to			
Shareholders		**$ 537.4**	$ 671.4
Non-controlling interests		**7.1**	6.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2020 and 2019
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 22)			(note 24)		
Balance as of December 31, 2018	$ 1,065.9	$ 4.7	$ (507.9)	$ (82.7)	$ 88.5	$ 568.5
Net income	–	–	652.8	–	5.5	658.3
Other comprehensive income	–	–	–	18.6	0.6	19.2
Issuance of Class B Shares	8.3	12.7	–	–	–	21.0
Dividends	–	–	(100.3)	–	–	(100.3)
Repurchase of Class B Shares	(18.3)	–	(76.3)	–	–	(94.6)
Balance as of December 31, 2019	1,055.9	17.4	(31.7)	(64.1)	94.6	1,072.1
Net income	–	–	607.2	–	10.2	617.4
Other comprehensive loss	–	–	–	(69.8)	(3.1)	(72.9)
Dividends	–	–	(201.1)	–	(0.2)	(201.3)
Repurchase of Class B Shares	(38.1)	–	(163.1)	–	–	(201.2)
Balance as of December 31, 2020	**$ 1,017.8**	**$ 17.4**	**$ 211.3**	**$ (133.9)**	**$ 101.5**	**$ 1,214.1**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2020 and 2019
(in millions of Canadian dollars)

	Note	**2020**	2019
Cash flows related to operating activities			
Income from continuing operations		**$ 584.2**	$ 560.8
Adjustments for:			
Depreciation of property, plant and equipment	12	**622.1**	598.2
Amortization of intangible assets	13	**143.4**	116.7
Amortization of right-of-use assets	14	**37.7**	35.5
(Gain) loss on valuation and translation of financial instruments	5	**(8.0)**	6.5
Impairment of assets	6	**8.5**	18.8
Amortization of financing fees	4	**8.1**	8.1
Deferred income taxes	7	**(2.9)**	97.8
Other		**(1.6)**	(1.3)
		1,391.5	1,441.1
Net change in non-cash balances related to operating activities		**40.0**	(229.3)
Cash flows provided by continuing operating activities		**1,431.5**	1,211.8
Cash flows related to investing activities			
Business acquisitions	9	**(47.1)**	(35.6)
Business disposals	31	**0.2**	260.7
Additions to property, plant and equipment	12	**(447.2)**	(501.6)
Additions to intangible assets	13	**(205.9)**	(496.9)
Proceeds from disposals of assets		**4.4**	4.2
Other		**(18.3)**	(30.9)
Cash flows used in continuing investing activities		**(713.9)**	(800.1)
Cash flows related to financing activities			
Net change in bank indebtedness		**(27.7)**	5.1
Net change under revolving facilities	18	**(127.0)**	(589.5)
Issuance of long-term debt, net of financing fees	18	**–**	790.7
Repayment of long-term debt	18	**(1.3)**	(488.6)
Repayment of lease liabilities	19	**(41.9)**	(39.4)
Settlement of hedging contracts		**(1.6)**	90.0
Issuance of Class B Shares	22	**–**	8.3
Repurchase of Class B Shares	22	**(201.2)**	(94.6)
Dividends		**(201.1)**	(100.3)
Dividends paid to non-controlling interests		**(0.2)**	–
Cash flows used in continuing financing activities		**(602.0)**	(418.3)
Cash flows provided by (used in) continuing operations		**$ 115.6**	$ (6.6)

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2020 and 2019
(in millions of Canadian dollars)

	Note		2020		2019
Cash flows provided by (used in) continuing operations		**$**	**115.6**	$	(6.6)
Cash flows provided by (used in) discontinued operations	31		**7.1**		(0.7)
Cash and cash equivalents at beginning of the year			**14.0**		21.3
Cash and cash equivalents at end of the year		**$**	**136.7**	$	14.0
<u>Additional information on the consolidated statements of cash flows</u>					
Cash and cash equivalents consist of					
Cash		**$**	**135.4**	$	5.1
Cash equivalents			**1.3**		8.9
		$	**136.7**	$	14.0
Changes in non-cash balances related to operating items (excluding the effect of business acquisitions and disposals)					
Accounts receivable		**$**	**(56.5)**	$	20.0
Contract assets			**(25.7)**		(16.7)
Inventories			**(12.5)**		(32.1)
Accounts payable, accrued charges and provisions			**90.5**		(18.4)
Income taxes			**79.5**		(133.1)
Deferred revenue			**(29.7)**		(12.9)
Defined benefit plans			**18.8**		(15.3)
Other			**(24.4)**		(20.8)
		$	**40.0**	$	(229.3)
Interest and taxes reflected as operating activities					
Cash interest payments		**$**	**316.1**	$	307.2
Cash income tax payments (net of refunds)			**127.5**		238.9

Non-cash investing transactions are presented in notes 12, 13 and 14.

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2020 and 2019
(in millions of Canadian dollars)

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents		**$ 136.7**	$ 14.0
Accounts receivable	10	**600.6**	548.0
Contract assets	16	**174.9**	160.3
Income taxes		**4.9**	19.1
Inventories	11	**250.7**	240.4
Other current assets		**113.0**	121.2
		1,280.8	1,103.0
Non-current assets			
Property, plant and equipment	12	**3,189.2**	3,415.9
Intangible assets	13	**1,466.7**	1,444.0
Goodwill	15	**2,714.0**	2,692.9
Right-of-use assets	14	**143.1**	110.4
Derivative financial instruments	28	**625.5**	679.8
Deferred income taxes	7	**45.5**	31.2
Other assets	16	**396.8**	248.7
		8,580.8	8,622.9
Total assets		**$ 9,861.6**	$ 9,725.9

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2020 and 2019
(in millions of Canadian dollars)

	Note	2020	2019
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 1.7**	$ 29.4
Accounts payable, accrued charges and provisions	17	**872.2**	809.6
Deferred revenue		**307.5**	332.7
Income taxes		**70.0**	4.2
Current portion of long-term debt	18	**28.5**	57.2
Current portion of lease liabilities	19	**34.3**	31.3
		1,314.2	1,264.4
Non-current liabilities			
Long-term debt	18	**5,744.9**	5,900.3
Derivative financial instruments	28	**28.4**	2.1
Convertible debentures	21	**150.0**	150.0
Lease liabilities	19	**139.0**	106.6
Deferred income taxes	7	**848.2**	859.2
Other liabilities	20	**422.8**	371.2
		7,333.3	7,389.4
Equity			
Capital stock	22	**1,017.8**	1,055.9
Contributed surplus		**17.4**	17.4
Retained earnings (deficit)		**211.3**	(31.7)
Accumulated other comprehensive loss	24	**(133.9)**	(64.1)
Equity attributable to shareholders		**1,112.6**	977.5
Non-controlling interests		**101.5**	94.6
		1,214.1	1,072.1
Commitments, contingencies and subsequent events	25, 27, 32		
Total liabilities and equity		**$ 9,861.6**	$ 9,725.9

See accompanying notes to consolidated financial statements.

On February 24, 2021, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2020 and 2019.

On behalf of the Board of Directors,

(signed)

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

(signed)

Normand Provost
Director

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	100.0 %	100.0 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter segment sales. Transactions between segments are measured at exchange amounts between the parties.

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential, across Québec. The Québec government subsequently implemented a gradual reopening plan, which was followed at the end of December 2020 by new restrictions and the suspension of some business activities due to the second wave of the pandemic. This health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments in 2020. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a significant reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease in sports events broadcast by the TVA Sports specialty channel, and reduced film and audiovisual content activity in the Media segment; and the cancellation of most shows and events and the interruption of music and book distribution activities in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Because of the slowdown in the economy, approximately 10% of Quebecor's workforce have received benefits in 2020 under the Corporation's assistance program. During the health crisis, this program provides financial assistance to employees temporarily laid off or to employees on stand-by in addition to the Canadian wage subsidy programs. Due to significant decreases in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy, and subsidies totalling $49.6 million were recorded in 2020 as a reduction in employee costs. Given the uncertainty about the evolution of the pandemic, the full impact of the health crisis over its duration cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

SEGMENTED INFORMATION

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2020
Revenues	**$ 3,622.6**	**$ 650.5**	**$ 158.0**	**$ (113.3)**	**$ 4,317.8**
Employee costs	**403.8**	**176.7**	**30.3**	**24.7**	**635.5**
Purchase of goods and services	**1,354.4**	**391.6**	**119.0**	**(135.3)**	**1,729.7**
Adjusted EBITDA[1]	**1,864.4**	**82.2**	**8.7**	**(2.7)**	**1,952.6**
Depreciation and amortization					**803.2**
Financial expenses					**328.2**
Gain on valuation and translation of financial instruments					**(8.0)**
Restructuring of operations and other items					**39.2**
Income before income taxes					**$ 790.0**
Cash flows used for					
Additions to property, plant and equipment	**$ 429.3**	**$ 15.9**	**$ 0.6**	**$ 1.4**	**$ 447.2**
Additions to intangible assets	**180.1**	**22.1**	**2.8**	**0.9**	**205.9**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

SEGMENTED INFORMATION (continued)

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2019
Revenues	$ 3,480.4	$ 738.0	$ 192.2	$ (116.8)	$ 4,293.8
Employee costs	398.6	228.6	38.6	35.0	700.8
Purchase of goods and services	1,278.4	434.6	146.3	(145.8)	1,713.5
Adjusted EBITDA[1]	1,803.4	74.8	7.3	(6.0)	1,879.5
Depreciation and amortization					750.4
Financial expenses					327.5
Loss on valuation and translation of financial instruments					6.5
Restructuring of operations and other items					28.6
Income before income taxes					$ 766.5
Cash flows used for					
Additions to property, plant and equipment	$ 476.8	$ 21.8	$ 1.3	$ 1.7	$ 501.6
Additions to intangible assets	468.0	24.8	3.5	0.6	496.9

1 The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (notes 1(j) and 1(w)), the liability related to stock-based compensation (note 1(u)) and the net defined benefit liability (note 1(v)), and they are presented in Canadian dollars (“CAN dollars”), which is the currency of the primary economic environment in which the Corporation operates (“functional currency”).

Comparative figures for the year ended December 31, 2019 have been restated to conform to the presentation adopted for the year ended December 31, 2020.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent corporation’s ownership interest. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(c) Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Results of operations of a business acquired are included in the Corporation’s consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred and included as other items in the consolidated statements of income.

(d) Foreign currency translation

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transaction. Translation gains and losses on monetary assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as “Deferred revenue” in the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration is generally comprised of an upfront fee for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities’ revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and over-the-top video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Media

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment leasing revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;
- revenues from the sale of advertising in the form of venue signage or sponsorships, are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

(f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

(g) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

(h) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized either in other comprehensive income or directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation's operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or that the income tax liability is no longer probable.

(i) Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the term lease, less incentive payments received, using the Corporation incremental borrowing rate at that date or interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interests on lease liabilities are recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments

Classification, recognition and measurement

Most of financial assets and liabilities are classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value through other comprehensive income or through profit or loss. Contingent consideration and future conditional adjustments arising from a business acquisition or disposal are measured at fair value at the transaction date with subsequent changes in fair value recorded in the consolidated statements of income.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

The Corporation measures and records the effectiveness of its hedging relationships as follows:

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the hedged items cash flows.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation’s hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financing fees

Financing fees related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(l) Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the health crisis related to the COVID-19. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(m) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers’ acceptances and term deposits.

(n) Accounts receivable and contract assets

Accounts receivable and contract assets are presented net of a provision for expected credit losses. The Corporation is using the IFRS 9 expected credit losses method to estimate that provision, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. Amounts receivable are written off when deemed uncollectible.

(o) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories (continued)

In particular, inventories related to audiovisual content are accounted for as follows:

(i) Productions

Productions are accounted for at the lesser of cost and net realizable value. Cost includes direct employees and goods and services costs and general expenses allocated to each production. The production costs are charged to operating expenses when the productions are broadcast or using a method based on how future economic benefits from the productions will be generated.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movies, series or right to broadcast a live event is known or can be reasonably determined, (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; and (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are charged to operating expenses when televisual products and movies are broadcast or distributed over the contract period, using a method based on how future economic benefits from those rights will be generated.

Estimates of future revenues used to determine the net realizable value of inventories related to audiovisual content are examined periodically by management and revised as necessary. The carrying value of the related inventories is reduced to the net realizable value, if necessary, based on this assessment.

(p) Long-term investments

Investments in companies subject to significant influence are accounted for using the equity method. Under the equity method, the share of the results of operations of the associated corporation is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost represents the acquisition costs, net of government grants and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct wireline and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment during the development phase. Expenditures, such as maintenance and repairs, are expensed as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful lives
Buildings and leasehold improvements	10 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Depreciation methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and their estimated useful life.

The Corporation does not record any decommissioning obligations in connection with its wireline distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets.

Videotron is engaged in an agreement to operate a shared LTE network in the Province of Québec and the Ottawa region.

(r) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(f)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized based on the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development Canada, (ii) the Corporation has the financial and operational ability to renew these spectrum licences, (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Software is recorded at cost. In particular, internally generated intangible assets such as software and website development are mainly comprised of internal costs in connection with the development of assets to be used internally or to provide services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Broadcasting licences, trademarks and sport franchises also have an indefinite useful life and are not amortized. These intangibles assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

Naming rights for the Videotron Centre in Québec City are recognized at cost.

Customer relationships and other intangible assets acquired through a business acquisition are recorded at fair value at the date of acquisition.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	Estimated useful lives
Software	3 to 7 years
Naming rights	25 years
Customer relationships and other	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

(s) Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation’s telecommunication network are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected, that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

(u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units (“DSUs”) or performance share units (“PSUs”), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 23.

(v) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees’ pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management’s best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized; and;
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

(ii) Defined benefit pension plans and postretirement plans (continued)

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive (loss) income and in accumulated other comprehensive (loss) income. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments on liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation; and
- changes in the net benefit asset limit or in the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans.

The Corporation also offers discounts on telecommunication services and health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

(w) Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

(x) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from those estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 15.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(ii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and on the carrying value of other assets or other liabilities in the consolidated balance sheets. Key assumptions and a sensitivity analysis on the discount rate are presented in note 30.

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. It can also require an assessment of the probable outcomes of legal proceedings or other contingencies. Management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements, is presented in note 27.

(iv) Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations and future conditional adjustments are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

(iii) Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the Canadian Radio-television and Telecommunications Commission ("CRTC") and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	2020	2019
Telecommunications:		
Internet	**$ 1,131.4**	$ 1,114.3
Television	**903.6**	974.4
Mobile telephony	**658.5**	600.7
Wireline telephony	**338.4**	341.1
Equipment sales	**408.9**	269.8
Other	**181.8**	180.1
Media:		
Advertising	**285.5**	339.6
Subscription	**200.3**	210.6
Other	**164.7**	187.8
Sports and Entertainment	**158.0**	192.2
Inter-segments	**(113.3)**	(116.8)
	$ 4,317.8	$ 4,293.8

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2020	2019
Employee costs	**$ 835.5**	$ 911.0
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(200.0)**	(210.2)
	635.5	700.8
Purchase of goods and services:		
Royalties, rights and creation costs	**651.0**	662.7
Cost of products sold	**476.0**	415.3
Service contracts	**197.3**	158.2
Marketing, circulation and distribution expenses	**80.8**	106.7
Other	**324.6**	370.6
	1,729.7	1,713.5
	$ 2,365.2	$ 2,414.3

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

	2020	2019
Interest on long-term debt and on debentures	**$ 305.2**	$ 307.3
Amortization of financing fees	**8.1**	8.1
Interest on lease liabilities	**8.2**	7.9
Interest on net defined benefit liability	**7.7**	7.2
Gain on foreign currency translation on short-term monetary items	**(1.7)**	(2.2)
Other	**0.7**	(0.8)
	$ 328.2	$ 327.5

5. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	2020	2019
(Gain) loss on embedded derivatives related to convertible debentures	**$ (9.3)**	$ 5.7
Other	**1.3**	0.8
	$ (8.0)	$ 6.5

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

In 2020, a charge of $30.7 million was recorded in connection with cost reduction initiatives in the Corporation's various segments ($9.8 million in 2019).

In 2020, an impairment charge on assets of $8.5 million was also recorded as a result of restructuring initiatives ($18.8 million in 2019).

7. INCOME TAXES

The following table reconciles income taxes at the Corporation's domestic statutory tax rate of 26.5% in 2020 (26.6% in 2019) and income taxes in the consolidated statements of income:

	2020	2019
Income taxes at domestic statutory tax rate	**$ 209.3**	$ 203.9
Increase (reduction) resulting from:		
Effect of non-deductible charges, non-taxable income and differences between current and future tax rates	**(3.6)**	1.1
Other	**0.1**	0.7
Income taxes	**$ 205.8**	$ 205.7

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

7. INCOME TAXES (continued)

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		Consolidated income statements	
	2020	2019	**2020**	2019
Loss carryforwards	**$ 79.2**	$ 81.1	**$ (2.8)**	$ 3.0
Defined benefit plans	**85.8**	58.4	**(4.9)**	3.9
Contract assets	**(65.5)**	(58.8)	**6.7**	4.5
Property, plant and equipment	**(467.6)**	(489.6)	**(22.0)**	8.6
Goodwill, intangible assets and other assets	**(322.9)**	(301.8)	**20.3**	64.3
Long-term debt, derivative financial instruments and exchangeable debentures	**(130.9)**	(137.8)	**(0.5)**	3.0
Other	**19.2**	20.5	**0.3**	10.5
	$ (802.7)	$ (828.0)	**$ (2.9)**	$ 97.8

Changes in the net deferred income tax liability are as follows:

	2020	2019
Balance at beginning of year	**$ (828.0)**	$ (724.1)
Recognized in income as continuing operations	**2.9**	(97.8)
Recognized in other comprehensive income	**28.9**	16.6
Business acquisitions	**(0.8)**	(4.1)
Discontinued operations and other	**(5.7)**	(18.6)
Balance at end of year	**$ (802.7)**	$ (828.0)
Deferred income tax asset	**$ 45.5**	$ 31.2
Deferred income tax liability	**(848.2)**	(859.2)
	$ (802.7)	$ (828.0)

As of December 31, 2020, the Corporation had loss carryforwards for income tax purposes of $18.0 million available to reduce future taxable income, that will expire between 2031 and 2040. These losses have been recognized. The Corporation also had capital losses of $609.1 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

There are no income tax consequences attached to the payment of dividends by the Corporation to its shareholders.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

		2020		2019
Income from continuing operations attributable to shareholders	**$**	**574.0**	$	555.3
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries		**(5.1)**		(0.5)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$**	**568.9**	$	554.8
Net income attributable to shareholders	**$**	**607.2**	$	652.8
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries		**(5.1)**		(0.5)
Net income attributable to shareholders, adjusted for dilution effect	**$**	**602.1**	$	652.3
Weighted average number of shares outstanding (in millions)		**251.6**		255.6
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)		**4.7**		0.2
Weighted average number of diluted shares outstanding (in millions)		**256.3**		255.8

During the year ended December 31, 2019, 515,000 options of TVA Group Inc. ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive.

The diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation in 2019 since their impact is anti-dilutive.

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(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. BUSINESS ACQUISITIONS

2020

- On December 31, 2020, Videotron closed the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue for a cash consideration of $32.9 million, net of cash acquired of $0.1 million. The acquired assets consist mainly of the network, intangible assets and goodwill.
- On June 17, 2020, the Sports and Entertainment segment acquired the Théâtre Capitole, a concert hall in Québec, for a cash consideration of $10.8 million, net of an assumed working capital liability. The acquired assets consist mainly of the building and equipment.

2019

- On February 13, 2019, TVA Group acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consist mainly of intangible assets and goodwill.
- On April 1, 2019, TVA Group acquired the Incendo Media inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. A first payment of $3.4 million on the balance payable was made in the fourth quarter of 2020. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

10. ACCOUNTS RECEIVABLE

	2020	2019
Trade	**$ 496.6**	$ 461.0
Other	**104.0**	87.0
	$ 600.6	$ 548.0

11. INVENTORIES

	2020	2019
Audiovisual content	**$ 138.0**	$ 119.3
Finished goods	**83.6**	93.5
Raw materials and supplies	**29.1**	27.6
	$ 250.7	$ 240.4

Cost of inventories included in purchase of goods and services amounted to $744.4 million in 2020 ($721.8 million in 2019). Write-downs of inventories totalling $6.9 million were recognized in purchase of goods and services in 2020 ($6.3 million in 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. PROPERTY, PLANT AND EQUIPMENT

Changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecom-munication networks	Projects under development	Total
Cost					
Balance as of December 31, 2018	$ 613.2	$ 1,872.2	$ 6,009.2	$ 91.0	$ 8,585.6
Additions	22.8	107.8	252.5	118.5	501.6
Net change in additions financed with non-cash balances	0.5	(6.0)	(5.4)	(4.5)	(15.4)
Reclassification	3.4	86.0	88.8	(105.7)	72.5
Retirement, disposals and other	(3.5)	(74.7)	(17.9)	(2.3)	(98.4)
Balance as of December 31, 2019	636.4	1,985.3	6,327.2	97.0	9,045.9
Additions	13.4	66.5	230.3	137.0	447.2
Net change in additions financed with non-cash balances[1]	–	1.4	(57.0)	(9.2)	(64.8)
Reclassification	2.3	(57.4)	184.5	(129.4)	–
Retirement, disposals and other	13.7	31.0	(228.8)	–	(184.1)
Balance as of December 31, 2020	**$ 665.8**	**$ 2,026.8**	**$ 6,456.2**	**$ 95.4**	**$ 9,244.2**
Accumulated depreciation and impairment losses					
Balance as of December 31, 2018	$ 256.9	$ 1,379.9	$ 3,481.5	$ –	$ 5,118.3
Depreciation	21.9	174.0	402.3	–	598.2
Retirement, disposals and other	(2.5)	(70.2)	(13.8)	–	(86.5)
Balance as of December 31, 2019	276.3	1,483.7	3,870.0	–	5,630.0
Depreciation	21.6	145.7	454.8	–	622.1
Retirement, disposals and other	(0.5)	34.1	(230.7)	–	(197.1)
Balance as of December 31, 2020	**$ 297.4**	**$ 1,663.5**	**$ 4,094.1**	**$ –**	**$ 6,055.0**
Net carrying amount					
As of December 31, 2019	$ 360.1	$ 501.6	$ 2,457.2	$ 97.0	$ 3,415.9
As of December 31, 2020	**$ 368.4**	**$ 363.3**	**$ 2,362.1**	**$ 95.4**	**$ 3,189.2**

1 Includes a $36.7 million government credit for large investment projects receivable in 2020.

In 2020, the amortization of certain components of the Corporation’s telecommunication networks was accelerated in order to reflect shorter remaining useful lives as a result of technology changes. Depreciation was increased by $24.0 million in 2020 to reflect the new useful lives.

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(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. INTANGIBLE ASSETS

Changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Broadcasting licences, naming rights, projects under development and other	Total
Cost				
Balance as of December 31, 2018	$ 723.5	$ 1,067.7	$ 398.3	$ 2,189.5
Additions[1]	255.8	209.6	31.5	496.9
Net change in additions financed with non-cash balances	–	(73.9)	62.7	(11.2)
Business acquisition	–	1.2	20.0	21.2
Reclassification	–	80.0	(152.5)	(72.5)
Retirement, disposals and other	–	(13.9)	(7.5)	(21.4)
Balance as of December 31, 2019	979.3	1,270.7	352.5	2,602.5
Additions	–	125.6	80.3	205.9
Net change in additions financed with non-cash balances[2]	–	(114.2)	63.8	(50.4)
Business acquisition	–	0.1	9.6	9.7
Reclassification	–	129.0	(129.0)	–
Retirement, disposals and other	–	(21.7)	(4.9)	(26.6)
Balance as of December 31, 2020	**$ 979.3**	**$ 1,389.5**	**$ 372.3**	**$ 2,741.1**
Accumulated amortization and impairment losses				
Balance as of December 31, 2018	$ 247.7	$ 639.9	$ 166.6	$ 1,054.2
Amortization	–	105.2	11.5	116.7
Retirement, disposals and other	–	(7.5)	(4.9)	(12.4)
Balance as of December 31, 2019	247.7	737.6	173.2	1,158.5
Amortization	–	133.0	10.4	143.4
Retirement, disposals and other	–	(21.7)	(5.8)	(27.5)
Balance as of December 31, 2020	**$ 247.7**	**$ 848.9**	**$ 177.8**	**$ 1,274.4**
Net carrying amount				
As of December 31, 2019	$ 731.6	$ 533.1	$ 179.3	$ 1,444.0
As of December 31, 2020	**$ 731.6**	**$ 540.6**	**$ 194.5**	**$ 1,466.7**

[1] On April 10, 2019, Videotron acquired 10 spectrum licences in the 600 MHz band covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

[2] Includes a $50.3 million government credit for large investment projects receivable in 2020.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. INTANGIBLE ASSETS (continued)

The cost of internally generated intangible assets, mainly composed of software, was $732.5 million as of December 31, 2020 ($651.8 million as of December 31, 2019). For the year ended December 31, 2020, the Corporation recorded additions of internally generated intangible assets of $98.6 million ($65.2 million in 2019).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, was $437.2 million as of December 31, 2020 ($401.8 million as of December 31, 2019). For the year ended December 31, 2020, the Corporation recorded $52.2 million in amortization on its internally generated intangible assets ($45.2 million in 2019). The net carrying value of internally generated intangible assets was $295.3 million as of December 31, 2020 ($250.1 million as of December 31, 2019).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU. The net carrying value of intangible assets with an indefinite useful life was $741.1 million as of December 31, 2020 and 2019.

14. RIGHT-OF-USE ASSETS

Changes in the net carrying amount of right-of-use assets which mainly relates to leases of premises and vehicles, are as follows:

	2020	2019
Cost		
Balance at beginning of year	**$ 304.8**	$ 283.6
Additions financed with lease obligations	**77.4**	33.9
Retirement and other	**(25.6)**	(12.7)
Balance at end of year	**356.6**	304.8
Accumulated depreciation		
Balance at beginning of year	**194.4**	171.0
Depreciation	**37.7**	35.5
Retirement and other	**(18.6)**	(12.1)
Balance at end of year	**213.5**	194.4
Net carrying amount	**$ 143.1**	$ 110.4

The Corporation do not recognize right-of-use assets and lease liabilities for short-term leases and leases of low value assets.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL

Changes in the net carrying amount of goodwill are as follows:

		2020		2019
Cost				
Balance at beginning of year	**$**	**5,685.7**	$	5,671.1
Business acquisitions		**21.1**		14.6
Balance at end of year		**5,706.8**		5,685.7
Accumulated impairment losses				
Balance at beginning and at end of year		**2,992.8**		2,992.8
Net carrying amount	**$**	**2,714.0**	$	2,692.9

The net carrying amount of goodwill as of December 31, 2020 and 2019 was allocated to the following significant CGU groups:

		2020		2019
CGU groups				
Telecommunications	**$**	**2,679.2**	$	2,656.1
Other[1]		**34.8**		36.8
Total	**$**	**2,714.0**	$	2,692.9

[1] Includes mainly the CGUs related to Film, audiovisual content and television activities, Book publishing and distribution activities, and Sports and Entertainment activities.

Recoverable amounts

CGU recoverable amounts were determined based on the higher of a value in use or a fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by a CGU or for each nature of expenses, as well as for future capital expenditures. Such assumptions will consider, among many other factors, subscribers, readership and viewer statistics, advertising market trends, competitive landscape, evolution of products and services offerings, wireless penetration growth, proliferation of media platforms, technology evolution, broadcast programming strategy, bargaining agreements, Canadian GDP rates, and operating cost structures.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. GOODWILL (continued)

Recoverable amounts (continued)

A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate. In certain circumstances, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating the recoverable amount by using multiples of operating performance of comparable entities, transaction metrics and other financial information available, instead of primarily using the discounted cash flow method. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

	2020		2019	
CGU groups[1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications	**8.5 %**	**2.0 %**	9.0 %	2.5 %
Other	**10.5 to 15.5**	**0.0 to 2.0**	11.0 to 14.0	(1.0) to 2.0

1 In 2020 and 2019, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method.

No reasonable changes in the discount rate or in the perpetual growth rate used in the most recent test performed would have caused the recoverable amount of the Telecommunication CGU to equal its carrying value.

16. OTHER ASSETS

	2020	2019
Contract assets[1]	**$ 247.2**	$ 221.5
Audiovisual content	**195.3**	174.0
Contract costs[2]	**148.2**	112.2
Other	**178.9**	75.1
	769.6	582.8
Less current portion of contract assets	**(174.9)**	(160.3)
Less current portion of audiovisual content (included in "Inventories")	**(138.0)**	(119.3)
Less current portion of contract costs (included in "Other current assets")	**(59.9)**	(54.5)
	$ 396.8	$ 248.7

1 Impairment loss on contract assets resulting from mobile contracts being cancelled prior their initial term amounted to $20.5 million in 2020 ($19.7 million in 2019), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

2 Amortization amounted to $65.9 million in 2020 ($63.6 million in 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. ACCOUNTS PAYABLE, ACCRUED CHARGES AND PROVISIONS

	2020	2019
Trade and accruals	**$ 666.8**	$ 578.7
Salaries and employee benefits	**126.4**	145.8
Interest payable	**56.2**	57.0
Provisions	**18.4**	15.9
Stock-based compensation	**4.4**	12.2
	$ 872.2	$ 809.6

18. LONG-TERM DEBT

	Effective interest rate as of December 31, 2020	2020	2019
Quebecor			
Bank credit facility (i)		**$ –**	$ 11.0
Other loan (ii)	3.76 %	**45.9**	47.2
		45.9	58.2
Quebecor Media (iii)			
Bank credit facility (iv)	– %	**–**	9.0
Senior Notes (v)		**1,593.4**	1,611.7
		1,593.4	1,620.7
Videotron (iii), (vi)			
Bank credit facility (vii)	– %	**–**	89.3
Senior Notes (v)		**4,120.0**	4,173.0
		4,120.0	4,262.3
TVA Group (iii), (vi)			
Bank credit facility (viii)	2.14 %	**27.1**	44.9
Total long-term debt		**5,786.4**	5,986.1
Change in fair value related to hedged interest rate risk		**16.8**	9.1
Financing fees, net of amortization		**(29.8)**	(37.7)
		(13.0)	(28.6)
		5,773.4	5,957.5
Less current portion		**(28.5)**	(57.2)
		$ 5,744.9	$ 5,900.3

As of December 31, 2020, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was $3,655.1 million ($3,718.8 million as of December 31, 2019) while the net fair value of related hedging derivative instruments was in an asset position of $605.1 million ($679.8 million as of December 31, 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT (continued)

(i) On July 15, 2020, the revolving credit facility of Quebecor in an amount of $50.0 million expired and was not renewed.

(ii) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation shall repay the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

(iii) The debts of these subsidiaries are non-recourse to Quebecor.

(iv) The bank credit facility of Quebecor Media provides for a $300.0 million secured revolving credit facility that matures in July 2022 and bears interest at Bankers' acceptance rate, London Inter-Bank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by Quebecor Media's leverage ratio. This credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. It is secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2020, the credit facility was secured by assets with a carrying value of $1,130.2 million ($1,727.4 million in 2019). As of December 31, 2020, no amount was drawn on the secured revolving credit facility ($9.0 million as of December 31, 2019).

(v) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2020:

Principal amount	Annual nominal interest rate	Maturity date	Interest payable every 6 months on
Quebecor Media			
US$ 850.0	5.750 %	January 15, 2023	June and December 15
$ 500.0	6.625 %	January 15, 2023	June and December 15
Videotron			
US$ 800.0	5.000 %	July 15, 2022	January and July 15
US$ 600.0	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	June 15, 2025	April and October 15
$ 375.0	5.750 %	January 15, 2026	March and September 15
US$ 600.0	5.125 %	April 15, 2027	April and October 15
$ 800.0[1]	4.500 %	January 15, 2030	April and October 15

[1] The Notes were issued in October 2019 for net proceeds of $790.7 million, net of financing fees of $9.3 million.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT (continued)

(vi) The debts of these subsidiaries are non-recourse to Quebecor Media.

(vii) The bank credit facility of Videotron provides for a $1,500.0 million secured revolving credit facility that matures in July 2023 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by Videotron's leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2020, the bank credit facility was secured by assets with a carrying value of $8,114.0 million ($8,062.9 million in 2019). The bank credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Videotron's ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2020, no amount was drawn on the secured revolving credit facility ($89.3 million as of December 31, 2019).

(viii) The bank credit facility of TVA Group provides for a secured revolving credit facility in the amount of $75.0 million that matures in February 2021 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by TVA Group's leverage ratio. The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. The credit facility is secured by liens on all of its movable assets and an immovable hypothec on its head office building. As of December 31, 2020, $27.1 million was drawn on the revolving credit facility ($44.9 million as of December 31, 2019).

On February 11, 2021, TVA Group amended its secured revolving credit facility to extend its term to February 2022.

On December 31, 2020, the Corporation was in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2021	$ 28.5
2022	1,062.5
2023	1,593.4
2024	763.5
2025	400.0
2026 and thereafter	1,938.5

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

18. LONG-TERM DEBT (continued)

Changes in long-term debt are as follows:

	2020	2019
Balance at beginning of year	**$ 5,957.5**	$ 6,428.2
Net change under revolving facilities, net of financing fees	**(127.0)**	(589.5)
Issuance of long-term debt, net of financing fees	**–**	790.7
Repayment of long-term debt	**(1.3)**	(488.6)
Foreign currency translation	**(71.4)**	(198.2)
Amortization of financing fees	**8.1**	8.1
Change in fair value related to hedged interest rate risk	**7.7**	6.6
Other	**(0.2)**	0.2
Balance at end of year	**$ 5,773.4**	$ 5,957.5

19. LEASE LIABILITIES

Changes in lease liabilities are as follows:

	2020	2019
Balance at beginning of year	**$ 137.9**	$ 144.4
Lease obligations financing right-of-use assets	**77.4**	33.9
Repayments	**(41.9)**	(39.4)
Other	**(0.1)**	(1.0)
	173.3	137.9
Less current portion	**(34.3)**	(31.3)
	$ 139.0	$ 106.6

Interest rates on lease liabilities ranged from 1.9% to 9.3% as of December 31, 2020 and 2019.

Repayments of lease liabilities over the coming years are as follows:

2021	$ 34.3
2022	27.8
2023	25.1
2024	19.6
2025	10.2
2026 and thereafter	56.3

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. OTHER LIABILITIES

	Note	2020	2019
Defined benefit plans	30	**$ 323.8**	$ 221.5
Contingent considerations and future conditional adjustments		**21.9**	57.4
Other[1]		**77.1**	92.3
		$ 422.8	$ 371.2

[1] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal amount outstanding of $844.9 million as of December 31, 2020 and 2019 and a combined carrying value of $2.1 million as of December 31, 2020 and 2019. The exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligations without any consideration.

21. CONVERTIBLE DEBENTURES

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. Interest on the convertible debentures is payable semi-annually in cash, in Class B Subordinate Voting Shares (“Class B Shares”) or with the proceeds from the sale of Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Class B share, subject to an adjusted floor price of approximately $26.20 per share (that is, a maximum number of approximately 5,724,218 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $32.76 per share (that is, a minimum number of approximately 4,579,374 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Class B Shares and (ii) the then current market price of a Class B share.

The principal amount of the convertible debentures is presented separately as a financial liability and the conversion features related to the floor and ceiling prices are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2020 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 0.43% (1.80% in 2019), a dividend yield of 2.43% (1.35% in 2019), and an expected volatility of 22.00% (18.08% in 2019). A one dollar increase in the market price of a Class B share as of December 31, 2020 would have decreased the gain on embedded derivatives related to convertible debentures by $4.0 million, while a one dollar decrease in the market price of a Class B share would have increased the gain by $4.0 million.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

22. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	**Amount**	**Number**	**Amount**
Balance as of December 31, 2018	77,249,244	$ 8.6	179,807,353	$ 1,057.3
Class A Shares converted into Class B Shares	(35,410)	–	35,410	–
Shares purchased and cancelled	–	–	(3,107,356)	(18.3)
Shares issued upon exercise of stock options	–	–	680,000	8.3
Balance as of December 31, 2019	77,213,834	8.6	177,415,407	1,047.3
Class A Shares converted into Class B Shares	(174,000)	–	174,000	–
Shares purchased and cancelled	–	–	(6,457,050)	(38.1)
Balance as of December 31, 2020	**77,039,834**	**$ 8.6**	**171,132,357**	**$ 1,009.2**

On August 5, 2020, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2020, the Corporation purchased and cancelled 6,457,050 Class B Shares for a total cash consideration of $201.2 million (3,107,356 Class B Shares for a total cash consideration of $94.6 million in 2019). The excess of $163.1 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2020 (an increase of the deficit of $76.3 million in 2019).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million. As a result of this transaction, contributed surplus was increased by $12.7 million and stock-based compensation liability was reduced by the same amount.

On February 24, 2021, the Board of Directors of the Corporation declared a dividend of $0.275 per share on Class A Shares and Class B Shares, or approximately $68.3 million, payable on April 6, 2021, to shareholders of record at the close of business on March 12, 2021.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 26,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of Quebecor. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. As per the provisions of the plan, options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant. Thus, since 2018, when granting options, the Board of Directors of the Corporation has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. Holders of options have committed to obtain the consent of the Corporation before exercising their right to subscribe the shares for which they exercise their options.

The following table gives details on changes to outstanding options for the years ended December 31, 2020 and 2019:

		2020		2019
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**2,504,892**	**$ 29.21**	1,982,892	$ 21.60
Granted	**1,342,267**	**33.19**	1,403,250	31.61
Exercised	**–**	**–**	(680,000)	12.17
Cancelled	**(216,200)**	**31.09**	(201,250)	28.57
Balance at end of year	**3,630,959**	**$ 30.57**	2,504,892	$ 29.21

As of December 31, 2020 and 2019, there was no vested options.

During the year ended December 31, 2019, the Corporation issued 680,000 Class B Shares upon exercise of stock options (note 22).

As of December 31, 2020, exercise prices of all outstanding options are from $26.52 to $33.19 and the average of years to maturity is 8.6.

23. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer which could be less upon reaching the minimum shareholding threshold set out in the policy regarding the minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2020, the total number of DSUs outstanding under this plan was 404,053 (357,470 as of December 31, 2019).

(b) Quebecor Media stock option plan

Under a stock option plan established by Quebecor Media, 6,180,140 Common Shares of Quebecor Media have been set aside for officers, senior employees, directors, and other key employees of Quebecor Media. Each option may be exercised within a maximum period of 10 years following the date of grant at an exercise price not lower than, as the case may be, the fair market value of the Common Shares of Quebecor Media at the date of grant, as determined by its Board of Directors (if the Common Shares of Quebecor Media are not listed on a stock exchange at the time of the grant), or the five-day weighted average market price ending on the day preceding the date of grant of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of grant. As long as the Common Shares of Quebecor Media are not listed on a recognized stock exchange, optionees may exercise their vested options during one of the following periods: from March 1 to March 30, from June 1 to June 29, from September 1 to September 29, and from December 1 to December 30.

Holders of options under the plan have the choice at the time of exercising their options of receiving an amount in cash (equal to the difference between either the five-day weighted average market price ending on the day preceding the date of exercise of the Common Shares of Quebecor Media on the stock exchange(s) where such shares are listed at the time of exercise, or the fair market value of the Common Shares, as determined by the Quebecor Media's Board of Directors, and the exercise price of their vested options) or, subject to certain stated conditions, exercise their options to purchase Common Shares of Quebecor Media at the exercise price. Except under specific circumstances, and unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(b) Quebecor Media stock option plan (continued)

The following table gives details on changes to outstanding options granted as of December 31, 2020 and 2019:

		2020		2019
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**129,200**	**$ 65.41**	318,400	$ 64.61
Exercised	**(81,250)**	**65.08**	(147,400)	62.41
Cancelled	**–**	**–**	(41,800)	69.91
Balance at end of year	**47,950**	**$ 65.96**	129,200	$ 65.41
Vested options at end of year	**47,950**	**$ 65.96**	97,550	$ 63.74

During the year ended December 31, 2020, 81,250 of the Quebecor Media's stock options were exercised for a cash consideration of $4.7 million (147,400 stock options for $7.4 million in 2019).

As of December 31, 2020, exercise prices of all outstanding options are from $51.89 to $70.56 and the average of years to maturity is 3.6.

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares") have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of TVA Group Class B Shares on the Toronto Stock Exchange the day before the option is granted. Unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Thus, since 2018, when granting options, the Human Resources and Corporate Governance Committee has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the TVA Group Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the TVA Group Class B Shares for the last five trading days preceding the date on which the option was exercised. Holders of options have committed to obtain the consent of TVA Group before exercising their right to subscribe the shares for which they exercise their options.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2020 and 2019:

		2020		2019
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**515,000**	**$ 2.43**	340,000	$ 2.99
Granted	**310,000**	**1.40**	290,000	2.05
Cancelled	**(30,000)**	**1.65**	(115,000)	3.13
Balance at end of year	**795,000**	**$ 2.06**	515,000	$ 2.43
Vested options at end of year	**35,000**	**$ 6.85**	28,000	$ 6.85

As of December 31, 2020, exercise prices of all outstanding options are from $1.40 to $6.85 and the average of years to maturity is 8.5.

(d) Deferred share unit and performance share unit plans

Quebecor established a DSU plan and PSU plan for its employees and those of its subsidiaries based on Quebecor Class B Shares and, in the case of the DSU plan, also on TVA Group Class B Shares. TVA Group also established a DSU plan and a PSU plan for its employees based on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be. The PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. No treasury shares will be issued for the purposes of these plans. As of December 31, 2020, 148,785 DSUs based on Quebecor Class B Shares and 204,598 DSUs based on TVA Group Class B Shares were outstanding under these plans (158,855 and 231,286, respectively, as of December 31, 2019). As of December 31, 2020, there is no PSUs outstanding (117,972 PSUs based on Quebecor Class B Shares and 131,129 PSUs based on TVA Group Class B Shares as of December 31, 2019). A cash consideration of $4.8 million was paid upon PSUs redemption in 2020 ($5.4 million in 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. STOCK-BASED COMPENSATION PLANS (continued)

(e) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans of Quebecor, Quebecor Media and TVA Group was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans:

December 31, 2020	**Quebecor**	**Quebecor Media**	**TVA Group**
Risk-free interest rate	**0.54 %**	**0.27 %**	**0.53 %**
Distribution yield	**2.43 %**	**1.00 %**	**– %**
Expected volatility	**21.15 %**	**28.96 %**	**56.27 %**
Expected remaining life	**4.6 years**	**1.0 years**	**4.5 years**

December 31, 2019	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	1.80 %	1.79 %	1.80 %
Distribution yield	1.35 %	1.00 %	– %
Expected volatility	17.94 %	14.53 %	51.81 %
Expected remaining life	5.1 years	1.1 years	4.9 years

Except for Quebecor Media, the expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. Since the Common Shares of Quebecor Media are not publicly traded on a stock exchange, expected volatility is derived from the implied volatility of Quebecor's stock. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability of vested options

As of December 31, 2020, the liability for all vested options was $2.9 million as calculated using the intrinsic value ($6.0 million as of December 31, 2019).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $4.9 million ($13.6 million in 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Defined benefit plans	Total
Balance as of December 31, 2018	$ (30.3)	$ (52.4)	$ (82.7)
Other comprehensive income (loss)	70.6	(52.0)	18.6
Balance as of December 31, 2019	40.3	(104.4)	(64.1)
Other comprehensive loss	(10.7)	(59.1)	(69.8)
Balance as of December 31, 2020	**$ 29.6**	**$ (163.5)**	**$ (133.9)**

[1] No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 1/4-year period.

25. COMMITMENTS

The Corporation has entered into long-term commitments to purchase services, tangible and intangible assets, broadcasting rights, and to pay licences and royalties. The minimum payments for the coming years are as follows:

2021	$ 383.6
2022 to 2025	678.8
2026 and thereafter	293.0

26. GUARANTEES

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

27. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation's consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency and (ii) to achieve a targeted balance of fixed- and floating-rate debts. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3235	$ 207.1	US$ 156.5

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2020 and 2019 are as follows:

	2020		2019	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,786.4)**	**$ (6,216.1)**	$ (5,986.1)	$ (6,376.2)
Convertible debenture[2]	**(153.5)**	**(153.5)**	(162.0)	(162.0)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**(8.0)**	**(8.0)**	(2.1)	(2.1)
Cross-currency interest rate swaps	**605.1**	**605.1**	679.8	679.8

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $552.5 million as of December 31, 2020 ($635.5 million in 2019) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $44.6 million as of December 31, 2020 ($42.2 million in 2019).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2020, no customer balance represented a significant portion of the Corporation’s consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2020, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.5% as of December 31, 2019), while 5.0% of trade receivable were 90 days past their billing date (7.2% as of December 31, 2019).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2020 and 2019:

		2020		2019
Balance at beginning of year	**$**	**19.6**	$	20.5
Changes in expected credit losses charged to income		**17.4**		18.8
Write-off		**(16.2)**		(19.7)
Balance at end of year	**$**	**20.8**	$	19.6

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation’s risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation’s consolidated debt was approximately 4.3 years as of December 31, 2020 (5.2 years as of December 31, 2019).

The Corporation’s management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases and dividends to shareholders. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) paid by Quebecor Media.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2020, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt, on convertible debentures and on lease liabilities, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Bank indebtedness	**$ 1.7**	$ 1.7	$ –	$ –	$ –
Accounts payable and accrued charges	**853.8**	853.8	–	–	–
Long-term debt[1]	**5,786.4**	28.5	2,655.9	1,163.5	1,938.5
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments on long-term debt and convertible debentures[3]	**1,188.4**	246.9	471.0	251.6	218.9
Lease liabilities	**173.3**	34.3	52.9	29.8	56.3
Interest payments on lease liabilities	**48.5**	7.7	11.4	7.5	21.9
Derivative financial instruments[4]	**(538.0)**	1.6	(479.2)	(101.3)	40.9
Total	**$ 7,664.1**	**$ 1,174.5**	**$ 2,712.0**	**$ 1,501.1**	**$ 2,276.5**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 Based on the market value at December 31, 2020 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Class B share at that date, subject to a floor price of $26.20 per share and a ceiling price of $32.76. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2020.

4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on the principal of U.S.-dollars-denominated debt.

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2020, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2020 is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of $0.10	$ 1.0	$ 48.7
Decrease of $0.10	(1.0)	(48.7)

A variance of $0.10 in the 2020 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $5.4 million on the value of unhedged purchases of goods and services and $3.7 million on the value of unhedged acquisitions of tangible and intangible assets in 2020.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2020, after taking into account the hedging instruments, long-term debt was comprised of 96.1% fixed-rate debt (93.9% in 2019) and 3.9% floating-rate debt (6.1% in 2019).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2020 was $2.0 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 21), as of December 31, 2020, as per the Corporation's valuation models, is as follows:

Increase (decrease)	Income	Other comprehensive income
Increase of 100 basis points	$ (1.2)	$ (10.0)
Decrease of 100 basis points	1.2	10.0

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

28. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2020 and 2019 is as follows:

	2020	2019
Bank indebtedness	**$ 1.7**	$ 29.4
Long-term debt	**5,773.4**	5,957.5
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**6.5**	15.8
Lease liabilities	**173.3**	137.9
Derivative financial instruments	**(597.1)**	(677.7)
Cash and cash equivalents	**(136.7)**	(14.0)
Net liabilities	**5,371.1**	5,598.9
Equity	**$ 1,214.1**	$ 1,072.1

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercorporation transactions, and the declaration and payment of dividends or other distributions.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	2020	2019
Salaries and short-term benefits	**$ 8.9**	$ 10.9
Share-based compensation	**1.6**	4.9
Other long-term benefits	**0.8**	2.5
	$ 11.3	$ 18.3

Operating transactions

The Corporation made sales to affiliated corporations in the amount of $3.7 million in 2020 ($3.8 million in 2019). These transactions were accounted for at the consideration agreed between parties.

30. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation’s pension plans are registered with a provincial or federal regulatory authority.

The Corporation’s funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, members of the Corporation’s management and independent members or by the Corporation, in accordance with the provisions of each plan. Under the Corporation’s rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation’s management, or the Audit and Risk Management Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committees or the Corporation, as the case may be. Policies include those on investment objectives, risk-mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation’s funding requirement.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2020 and 2019:

	Pension benefits		Postretirement benefits	
	2020	2019	**2020**	2019
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,492.7**	$ 1,294.5	**$ 62.9**	$ 71.4
Service costs	**37.4**	30.4	**1.9**	2.3
Interest costs	**47.1**	51.9	**1.9**	2.6
Plan participants' contributions	**10.5**	10.0	**–**	–
Actuarial loss (gain) arising from:				
Financial assumptions	**159.5**	168.4	**8.2**	14.1
Demographic assumptions	**–**	6.4	**–**	0.3
Participant experience	**(2.7)**	(3.3)	**–**	(3.0)
Benefits and settlements paid	**(64.4)**	(67.5)	**(1.7)**	(1.6)
Plan amendments and other	**0.7**	1.9	**(3.1)**	(23.2)
Benefit obligations at the end of the year	**$ 1,680.8**	$ 1,492.7	**$ 70.1**	$ 62.9
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,345.8**	$ 1,217.3	**$ –**	$ –
Actual return on plan assets	**122.9**	155.9	**–**	–
Employer contributions	**27.6**	32.5	**1.7**	1.6
Plan participants' contributions	**10.5**	10.0	**–**	–
Administrative fees	**(2.4)**	(2.4)	**–**	–
Benefits and settlements paid	**(64.4)**	(67.5)	**(1.7)**	(1.6)
Fair value of plan assets at the end of the year	**$ 1,440.0**	$ 1,345.8	**$ –**	$ –

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2020, the weighted average duration of defined benefit obligations was 16.1 years (15.5 years in 2019). The Corporation expects future benefit payments of $62.6 million in 2021.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of asset classes is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2020	2019
Equity securities:		
Canadian	**15.4 %**	16.5 %
Foreign	**24.8**	25.4
Debt securities	**55.7**	57.4
Other	**4.1**	0.7
	100.0 %	100.0 %

The fair value of securities is based on quoted prices in an active market, while the fair value of other investments is not based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amounts recognized in the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized in the consolidated balance sheets is as follows:

	Pension benefits		**Postretirement benefits**	
	2020	2019	**2020**	2019
Benefit obligations	**$ (1,680.8)**	$ (1,492.7)	**$ (70.1)**	$ (62.9)
Fair value of plan assets	**1,440.0**	1,345.8	**–**	–
Plan deficit	**(240.8)**	(146.9)	**(70.1)**	(62.9)
Asset limit and minimum funding adjustment	**(12.9)**	(11.7)	**–**	–
Net amount recognized[1]	**$ (253.7)**	$ (158.6)	**$ (70.1)**	$ (62.9)

1 The net liability recognized for 2020 is $323.8 million ($221.5 million in 2019) and is included in "Other liabilities" (note 20).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2020	2019	**2020**	2019
Actuarial loss on benefit obligations	**$ (156.8)**	$ (171.5)	**$ (8.2)**	$ (11.4)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**81.1**	107.9	**–**	–
Asset limit and minimum funding adjustment	**(0.8)**	4.9	**–**	–
Re-measurement loss recorded in other comprehensive (loss) income	**$ (76.5)**	$ (58.7)	**$ (8.2)**	$ (11.4)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2020	2019	**2020**	2019
Employee costs:				
Service costs	**$ 37.4**	$ 30.4	**$ 1.9**	$ 2.3
Plan amendments, administrative fees and other	**4.4**	4.4	**(3.2)**	(23.2)
Interest on net defined benefit liability	**5.7**	4.4	**1.9**	2.6
Net benefit costs (gain)	**$ 47.5**	$ 39.2	**$ 0.6**	$ (18.3)

The expense related to defined contribution pension plans amounted to $20.1 million in 2020 ($19.6 million in 2019).

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $34.2 million in 2021, based on the most recent financial actuarial reports filed (contributions of $29.3 million were paid in 2020).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond-yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2020 and 2019 and current periodic benefit costs are as follows:

	Pension and postretirement benefits	
	2020	2019
Benefit obligations		
Rates as of year-end:		
Discount rate	**2.50 %**	3.10 %
Rate of compensation increase	**3.00**	3.00
Current periodic costs		
Rates as of preceding year-end:		
Discount rate	**3.10 %**	3.90 %
Rate of compensation increase	**3.00**	3.00

The assumed average retirement age of participants used ranged from 59 to 62 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.00% at the end of 2020. These costs, as per the estimate, are expected to decrease gradually over the next seven years to 5.30% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefits obligation by $25.5 million and the postretirement benefits obligation by $1.5 million as of December 31, 2020. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

31. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data center operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron during the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions were achieved.

32. SUBSEQUENT EVENTS

On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of $644.1 million, net of financing fees of approximately $5.9 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

This is Exhibit 51 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Consolidated financial statements of

QUEBECOR INC.

Years ended December 31, 2021 and 2020

QUEBECOR INC.
CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Quebecor Inc. are the responsibility of management and have been approved by the Board of Directors of Quebecor Inc.

These consolidated financial statements have been prepared by management in conformity with International Financial Reporting Standards and include amounts that are based on best estimates and judgments.

The management of Quebecor Inc. and of its subsidiaries, in furtherance of the integrity and objectivity of the data in the consolidated financial statements, has developed and maintains internal accounting control systems and supports a program of internal audit. Management believes that these internal accounting control systems provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements, that assets are properly accounted for and safeguarded and that the preparation and presentation of other financial information are consistent with the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit and Risk Management Committee, consisting solely of outside directors. The Audit and Risk Management Committee reviews the annual consolidated financial statements and recommends their approval to the Board of Directors. The Audit and Risk Management Committee meets with Quebecor Inc.'s management, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, and formulates the appropriate recommendations to the Board of Directors. The auditor appointed by the shareholders has full access to the Audit and Risk Management Committee, with or without management being present.

These consolidated financial statements have been audited by the auditor appointed by the shareholders and its report is presented hereafter.

(signed)

Pierre Karl Péladeau
President and Chief Executive Officer

(signed)

Hugues Simard
Chief Financial Officer

Montréal, Canada

February 23, 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Quebecor Inc.

Opinion

We have audited the consolidated financial statements of Quebecor Inc. and its subsidiaries (the "Corporation"), which comprise the consolidated balance sheets as at December 31, 2021 and 2020, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Timing of revenue recognition from subscriber services in the Telecommunications segment	
As disclosed in Note 1 (e) to the consolidated financial statements, the Telecommunications segment recognizes revenue from subscriber services, such as television distribution, Internet access and wireline and mobile telephony, when the services are provided. Operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided, and the portion of revenues that is invoiced and unearned is presented as deferred revenue. The Corporation recognized $3,735.0 million of revenues for the year ended December 31, 2021 related to these services, and $309.7 million of deferred revenue as at December 31, 2021, of which a significant portion related to these services.	To test the timing of revenue recognition from subscriber services, our audit procedures included, among others, the following: • We obtained an understanding, evaluated the design, and tested the operating effectiveness of manual controls, as well as the application controls and the IT general controls with the assistance of our IT specialists, related to the timing of revenue recognition for Telecommunications subscriber services; • We reperformed management's calculation of the entire deferred revenue balance related to these subscriber services as of December 31, 2021; • We tested a sample of the relevant data used for the calculation of the deferred revenue balance related to the Telecommunications subscriber services as of December 31, 2021, by comparing the invoice date, the invoice amount, and the types of services to the invoice and the related cash receipt; • We corroborated, by agreeing to supporting documentation, the appropriateness of any manual entries posted to the deferred revenue accounts; and

INDEPENDENT AUDITOR'S REPORT (continued)

The Corporation's revenue recognition process involves several information technology ("IT") applications responsible for the initiation, processing, and recording of transactions from the Corporation's various customers, and the calculation and allocation of revenue by service in accordance with the Corporation's accounting policy. The timing of revenue recognition is considered a key audit matter due to the complexity in our audit procedures considering the high volume of subscribers, each receiving different services with varying invoicing schedules.

- We independently developed expectations of revenue per user by service type and compared it to the average revenue per user by service type.

Capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment

As disclosed in Note 3 to the consolidated financial statements, $172.0 million of labor costs were capitalized to property, plant and equipment and to intangible assets during the year ended December 31, 2021, of which a significant portion relates to the Telecommunications segment.

Given the high volume of internal projects for which many employees are working on, the capitalization of labor costs is considered to be a key audit matter in the Telecommunications segment.

To test the capitalization of labor costs to property, plant and equipment and to intangible assets in the Telecommunications segment, our audit procedures included, among others, the following:

- We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls related to the capitalization of labor costs;
- We discussed with project managers, for a sample of significant projects, the nature of the project and the nature of the costs capitalized, and analyzed variances compared to the budget for each cost category, including labor costs. We corroborated variances compared to the budget to supporting documents such as invoices or employee timesheets;
- We corroborated labor costs capitalized by comparing the number of hours worked by an employee and their charge out rate on a specific project to the approved timesheet; and
- We also performed analytical procedures by comparing the proportion of internal labor per project to prior year.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

In preparing the consolidated financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Corporation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lily Adam.

Ernst & Young LLP (1)

Montréal (Canada)
February 23, 2022
(1) CPA auditor, CA public accountancy permit no. A120803

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 2021 and 2020
(in millions of Canadian dollars, except earnings per share data)

	Note		2021		2020
Revenues	2	**$**	**4,554.4**	$	4,317.8
Employee costs	3		**685.0**		635.5
Purchase of goods and services	3		**1,896.2**		1,729.7
Depreciation and amortization	13, 14, 15		**783.8**		803.2
Financial expenses	4		**333.4**		328.2
Gain on valuation and translation of financial instruments	5		**(14.4)**		(8.0)
Restructuring of operations and other items	6		**4.1**		39.2
Loss on debt refinancing	7		**80.9**		–
Income before income taxes			**785.4**		790.0
Income taxes (recovery):	8				
Current			**256.9**		208.7
Deferred			**(59.9)**		(2.9)
			197.0		205.8
Income from continuing operations			**588.4**		584.2
Income from discontinued operations	32		**–**		33.2
Net income		**$**	**588.4**	$	617.4
Income from continuing operations attributable to					
Shareholders		**$**	**578.4**	$	574.0
Non-controlling interests			**10.0**		10.2
Net income attributable to					
Shareholders		**$**	**578.4**	$	607.2
Non-controlling interests			**10.0**		10.2
Earnings per share attributable to shareholders	9				
Basic:					
From continuing operations		**$**	**2.38**	$	2.28
From discontinued operations			**–**		0.13
Net income			**2.38**		2.41
Diluted:					
From continuing operations			**2.29**		2.22
From discontinued operations			**–**		0.13
Net income			**2.29**		2.35
Weighted average number of shares outstanding (in millions)			**243.5**		251.6
Weighted average number of diluted shares (in millions)			**248.3**		256.3

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2021 and 2020
(in millions of Canadian dollars)

	Note	2021	2020
Income from continuing operations		**$ 588.4**	$ 584.2
Other comprehensive income (loss) from continuing operations:			
Items that may be reclassified to income:			
Cash flow hedges:			
Gain (loss) on valuation of derivative financial instruments		**0.4**	(17.1)
Deferred income taxes		**3.1**	6.4
Loss on translation of investments in foreign associates		**(17.6)**	–
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain (loss)	31	**189.5**	(84.7)
Deferred income taxes		**(50.2)**	22.5
Equity investment:			
Gain on revaluation of an equity investment		**1.8**	–
Deferred income taxes		**(0.2)**	–
Reclassification to income:			
Gain related to cash flow hedges	7	**(1.0)**	–
Deferred income taxes		**0.6**	–
		126.4	(72.9)
Comprehensive income from continuing operations		**714.8**	511.3
Income from discontinued operations	32	**–**	33.2
Comprehensive income		**$ 714.8**	$ 544.5
Comprehensive income from continuing operations attributable to			
Shareholders		**$ 693.0**	$ 504.2
Non-controlling interests		**21.8**	7.1
Comprehensive income attributable to			
Shareholders		**$ 693.0**	$ 537.4
Non-controlling interests		**21.8**	7.1

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

Years ended December 31, 2021 and 2020
(in millions of Canadian dollars)

	Equity attributable to shareholders					
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Equity attributable to non-controlling interests	Total equity
	(note 23)			(note 25)		
Balance as of December 31, 2019	$ 1,055.9	$ 17.4	$ (31.7)	$ (64.1)	$ 94.6	$ 1,072.1
Net income	–	–	607.2	–	10.2	617.4
Other comprehensive loss	–	–	–	(69.8)	(3.1)	(72.9)
Dividends	–	–	(201.1)	–	(0.2)	(201.3)
Repurchase of Class B Shares	(38.1)	–	(163.1)	–	–	(201.2)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income	–	–	578.4	–	10.0	588.4
Other comprehensive income	–	–	–	114.6	11.8	126.4
Dividends	–	–	(267.6)	–	(0.1)	(267.7)
Repurchase of Class B Shares	(52.6)	–	(229.8)	–	–	(282.4)
Balance as of December 31, 2021	**$ 965.2**	**$ 17.4**	**$ 292.3**	**$ (19.3)**	**$ 123.2**	**$ 1,378.8**

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020
(in millions of Canadian dollars)

	Note	2021	2020
Cash flows related to operating activities			
Income from continuing operations		**$ 588.4**	$ 584.2
Adjustments for:			
Depreciation of property, plant and equipment	13	**577.4**	622.1
Amortization of intangible assets	14	**165.3**	143.4
Depreciation of right-of-use assets	15	**41.1**	37.7
Gain on valuation and translation of financial instruments	5	**(14.4)**	(8.0)
Gain on disposal of other assets	6	**(19.4)**	(0.9)
Impairment of assets	6	**1.5**	8.5
Loss on debt refinancing	7	**80.9**	–
Amortization of financing costs	4	**7.9**	8.1
Deferred income taxes	8	**(59.9)**	(2.9)
Other		**0.9**	(0.7)
		1,369.7	1,391.5
Net change in non-cash balances related to operating activities		**(187.1)**	40.0
Cash flows provided by continuing operating activities		**1,182.6**	1,431.5
Cash flows related to investing activities			
Business acquisitions	10	**(21.0)**	(47.1)
Business disposals	32	**–**	0.2
Additions to property, plant and equipment	11,13	**(429.3)**	(447.2)
Additions to intangible assets	14	**(1,018.7)**	(205.9)
Proceeds from disposals of assets		**7.7**	4.4
Acquisition of investments and other	17	**(75.2)**	(18.3)
Cash flows used in continuing investing activities		**(1,536.5)**	(713.9)
Cash flows related to financing activities			
Net change in bank indebtedness		**(1.7)**	(27.7)
Net change under revolving facilities	19	**269.8**	(127.0)
Issuance of long-term debt, net of financing costs	19	**1,986.8**	–
Repayment of long-term debt	7, 19	**(1,565.4)**	(1.3)
Repayment of lease liabilities	20	**(41.1)**	(41.9)
Settlement of hedging contracts	7	**183.6**	(1.6)
Repurchase of Class B Shares	23	**(282.4)**	(201.2)
Dividends		**(267.6)**	(201.1)
Dividends paid to non-controlling interests		**(0.1)**	(0.2)
Cash flows provided by (used in) continuing financing activities		**281.9**	(602.0)
Cash flows (used in) provided by continuing operations		**$ (72.0)**	$ 115.6

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Years ended December 31, 2021 and 2020
(in millions of Canadian dollars)

	Note		2021		2020
Cash flows (used in) provided by continuing operations		**$**	**(72.0)**	$	115.6
Cash flows provided by discontinued operations	32		**–**		7.1
Cash and cash equivalents at beginning of the year			**136.7**		14.0
Cash and cash equivalents at end of the year		**$**	**64.7**	$	136.7

Additional information on the consolidated statements of cash flows

		2021		2020
Cash and cash equivalents consist of				
Cash	**$**	**63.6**	$	135.4
Cash equivalents		**1.1**		1.3
	$	**64.7**	$	136.7
Changes in non-cash balances related to operating activities (excluding the effect of business acquisitions and disposals)				
Accounts receivable	**$**	**(208.2)**	$	(56.5)
Contract assets		**91.5**		(25.7)
Inventories		**(46.9)**		(12.5)
Accounts payable, accrued charges and provisions		**23.5**		90.5
Income taxes		**(24.7)**		79.5
Deferred revenue		**6.3**		(29.7)
Defined benefit plans		**14.2**		18.8
Other		**(42.8)**		(24.4)
	$	**(187.1)**	$	40.0
Interest and taxes reflected as operating activities				
Cash interest payments	**$**	**332.1**	$	316.1
Cash income tax payments (net of refunds)		**282.3**		127.5

Non-cash investing transactions are presented in notes 6, 13, 14 and 15.

See accompanying notes to consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020
(in millions of Canadian dollars)

	Note		2021		2020
Assets					
Current assets					
Cash and cash equivalents		$	**64.7**	$	136.7
Restricted cash	11		**162.4**		–
Accounts receivable	12, 17		**745.1**		563.6
Contract assets	17		**129.4**		174.9
Income taxes			**7.3**		4.9
Inventories	17		**282.6**		250.7
Other current assets	17		**132.0**		113.0
			1,523.5		1,243.8
Non-current assets					
Property, plant and equipment	13		**3,058.7**		3,189.2
Intangible assets	14		**2,344.1**		1,466.7
Right-of-use assets	15		**152.3**		143.1
Goodwill	16		**2,718.5**		2,714.0
Derivative financial instruments	29		**405.6**		625.5
Deferred income taxes	8		**39.2**		45.5
Other assets	17		**521.1**		433.8
			9,239.5		8,617.8
Total assets		**$**	**10,763.0**	$	9,861.6

QUEBECOR INC.
CONSOLIDATED BALANCE SHEETS (continued)

December 31, 2021 and 2020
(in millions of Canadian dollars)

	Note	2021	2020
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ –**	$ 1.7
Accounts payable, accrued charges and provisions	18	**861.0**	872.2
Deferred revenue		**309.7**	307.5
Deferred subsidies	11	**162.4**	–
Income taxes		**47.4**	70.0
Current portion of long-term debt	19	**56.5**	28.5
Current portion of lease liabilities	20	**36.1**	34.3
		1,473.1	1,314.2
Non-current liabilities			
Long-term debt	19	**6,467.9**	5,744.9
Derivative financial instruments	29	**23.3**	28.4
Convertible debentures	22	**150.0**	150.0
Lease liabilities	20	**147.1**	139.0
Deferred income taxes	8	**829.6**	848.2
Other liabilities	21	**293.2**	422.8
		7,911.1	7,333.3
Equity			
Capital stock	23	**965.2**	1,017.8
Contributed surplus		**17.4**	17.4
Retained earnings		**292.3**	211.3
Accumulated other comprehensive loss	25	**(19.3)**	(133.9)
Equity attributable to shareholders		**1,255.6**	1,112.6
Non-controlling interests		**123.2**	101.5
		1,378.8	1,214.1
Commitments and contingencies	26, 28		
Total liabilities and equity		**$ 10,763.0**	$ 9,861.6

See accompanying notes to consolidated financial statements.

On February 23, 2022, the Board of Directors approved the consolidated financial statements for the years ended December 31, 2021 and 2020.

On behalf of the Board of Directors,

(signed)

The Right Honourable Brian Mulroney, P.C., C.C., LL.D.
Chairman of the Board

(signed)

Normand Provost
Director and President of the Audit and Risk Management Committee

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal, Québec, Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries. The percentages of voting rights and equity in Quebecor Media and in its major subsidiaries are as follows:

	% voting	% equity
Quebecor Media Inc.	100.0 %	100.0 %
Quebecor Media Inc. interest in its major subsidiaries		
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles Inc.	100.0 %	100.0 %

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment rental and postproduction services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural event management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

These segments are managed separately since they all require specific market strategies. The accounting policies of each segment are the same as the accounting policies used for the consolidated financial statements. Segment income includes income from sales to third parties and inter-segment sales. Transactions between segments are measured at exchange amounts between the parties.

COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and has led to a significant slowdown in some of the Corporation's segments. Among other impacts, depending on circumstances, the restrictions and preventive measures imposed by the Québec government have caused a reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets; a reduction in advertising revenues, in sports events broadcast by the TVA Sports specialty channel and in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment qualified for the Canadian Emergency Wage Subsidy, and subsidies totalling $12.2 million were recorded in 2021 as a reduction in employee costs ($49.6 million in 2020). Given the uncertainty about the future evolution of the pandemic, including any new major wave, the full impact of the health crisis cannot be determined with certainty.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

SEGMENTED INFORMATION

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2021
Revenues	**$ 3,735.0**	**$ 776.0**	**$ 167.0**	**$ (123.6)**	**$ 4,554.4**
Employee costs	**405.9**	**221.2**	**33.2**	**24.7**	**685.0**
Purchase of goods and services	**1,453.4**	**471.4**	**113.4**	**(142.0)**	**1,896.2**
Adjusted EBITDA[1]	**1,875.7**	**83.4**	**20.4**	**(6.3)**	**1,973.2**
Depreciation and amortization					**783.8**
Financial expenses					**333.4**
Gain on valuation and translation of financial instruments					**(14.4)**
Restructuring of operations and other items					**4.1**
Loss on debt refinancing					**80.9**
Income before income taxes					**$ 785.4**
Cash flows used for					
Additions to property, plant and equipment	**$ 407.3**	**$ 19.7**	**$ 0.8**	**$ 1.5**	**$ 429.3**
Additions to intangible assets	**986.1**	**25.5**	**3.5**	**3.6**	**1,018.7**

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income taxes and income from discontinued operations.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

SEGMENTED INFORMATION (continued)

	Telecom-munications	Media	Sports and Entertainment	Head Office and Inter-segments	Total
					2020
Revenues	$ 3,622.6	$ 650.5	$ 158.0	$ (113.3)	$ 4,317.8
Employee costs	403.8	176.7	30.3	24.7	635.5
Purchase of goods and services	1,354.4	391.6	119.0	(135.3)	1,729.7
Adjusted EBITDA[1]	1,864.4	82.2	8.7	(2.7)	1,952.6
Depreciation and amortization					803.2
Financial expenses					328.2
Gain on valuation and translation of financial instruments					(8.0)
Restructuring of operations and other items					39.2
Income before income taxes					$ 790.0
Cash flows used for					
Additions to property, plant and equipment	$ 429.3	$ 15.9	$ 0.6	$ 1.4	$ 447.2
Additions to intangible assets	180.1	22.1	2.8	0.9	205.9

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income taxes and income from discontinued operations.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments (notes 1(j) and 1(w)), the liability related to stock-based compensation (note 1(u)) and the net defined benefit liability (note 1(v)), and they are presented in Canadian dollars (“CAN dollars”), which is the currency of the primary economic environment in which the Corporation operates (“functional currency”).

Comparative figures for the year ended December 31, 2020 have been restated to conform to the presentation adopted for the year ended December 31, 2021.

(b) Consolidation

The consolidated financial statements include the accounts of the Corporation and its subsidiaries. Intercompany transactions and balances are eliminated on consolidation.

A subsidiary is an entity controlled by the Corporation. Control is achieved when the Corporation is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the net assets and results of consolidated subsidiaries are identified separately from the parent corporation’s ownership interest. Non-controlling interests in the equity of a subsidiary consist of the amount of non-controlling interests calculated at the date of the original business combination and their share of changes in equity since that date. Changes in non-controlling interests in a subsidiary that do not result in a loss of control by the Corporation are accounted for as equity transactions.

(c) Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the acquired business are recognized at their fair value at the acquisition date. Results of operations of an acquired business are included in the Corporation’s consolidated financial statements from the date of the business acquisition. Business acquisition and integration costs are expensed as incurred and included as other items in the consolidated statements of income.

(d) Foreign currency translation

Foreign currency transactions are translated to the functional currency by applying the exchange rate prevailing at the date of the transaction. Translation gains and losses on monetary assets and liabilities denominated in a foreign currency are included in financial expenses, or in gain or loss on valuation and translation of financial instruments.

Investment transactions in foreign associates and the Corporation’s share in their results of operations are translated at the exchange rate prevailing at the date of the transaction. Investments in foreign associates on the consolidated balance sheets are translated at the exchange rate prevailing at the end of the reporting period and all resulting translation differences are then recorded in other comprehensive (loss) income as a (loss) gain on translation of investments in foreign associates.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as "Deferred revenue" on the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration can be comprised of an upfront fee or a number of monthly installments for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and over-the-top video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets on the consolidated balance sheets. Contract assets are realized over the term of the contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Revenue recognition (continued)

Media

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment rental revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and sales from food concessions are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;
- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

(f) Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Impairment of assets (continued)

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

(g) Barter transactions

In the normal course of operations, the Corporation principally offers advertising in exchange for goods and services. Revenues thus earned and expenses incurred are accounted for on the basis of the fair value of goods and services provided.

(h) Income taxes

Current income taxes are recognized with respect to amounts expected to be paid or recovered under the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized. A deferred tax expense or benefit is recognized either in other comprehensive income or directly in equity to the extent that it relates to items that are recognized in other comprehensive income or directly in equity in the same or a different period.

In the course of the Corporation’s operations, there are a number of uncertain tax positions due to the complexity of certain transactions and to the fact that related tax interpretations and legislation are continually changing. When a tax position is uncertain, the Corporation recognizes an income tax benefit or reduces an income tax liability only when it is probable that the tax benefit will be realized in the future or when the income tax liability is no longer probable.

(i) Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the lease term, less incentive payments received, using the Corporation incremental borrowing rate at that date or the interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interest on lease liabilities is recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments

Classification, recognition and measurement

Most financial assets and liabilities are classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value through other comprehensive income or through profit or loss, and an equity investment, which is measured at fair value through other comprehensive income. In addition, contingent consideration and future conditional adjustments arising from a business acquisition or disposal are measured at fair value at the transaction date with subsequent changes in fair value recorded in the consolidated statements of income.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign-currency-denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one-for-one for all its hedging relationships as the underlying risks of its hedging derivatives are identical to the hedged item risks.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

The Corporation measures and records the effectiveness of its hedging relationships as follows:

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the cash flows of the hedged item.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation's hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis on the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financing costs

Financing costs related to long-term debt are capitalized in reduction of long-term debt and amortized using the effective interest rate method.

(l) Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, the roll-out of high-speed Internet services in various regions of Québec, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the COVID-19 health crisis. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

(m) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments purchased three months or less from maturity and are recorded at fair value. These highly liquid investments consisted mainly of Bankers' acceptances and term deposits.

(n) Trade receivables and contract assets

Trade receivables and contract assets are presented net of a provision for expected credit losses. The Corporation is using the IFRS 9 expected credit losses method to estimate that provision, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. Amounts receivable are written off when deemed uncollectible.

(o) Inventories

Inventories are valued at the lower of cost, determined by the first-in, first-out method or the weighted-average cost method, and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories (continued)

In particular, inventories related to audiovisual content are accounted for as follows:

(i) Productions

Productions are accounted for at the lesser of cost and net realizable value. Cost includes direct employee costs, goods and services costs and general expenses allocated to each production. The production costs are charged to operating expenses when the productions are broadcast or using a method based on how future economic benefits from the productions will be generated.

(ii) Broadcast and distribution rights

Broadcast rights are essentially contractual rights allowing the limited or unlimited broadcast of televisual products or movies. Distribution rights include costs to acquire distribution rights for televisual products and movies and other operating costs incurred that generate future economic benefits. The Corporation records the rights acquired as inventory and the obligations incurred under a licence agreement as a liability when the broadcast or distribution period begins and all of the following conditions have been met: (a) the cost of the licence for each program, movie, series or right to broadcast a live event is known or can be reasonably determined; (b) the programs, movies or series have been accepted or the live event is broadcast in accordance with the conditions of the licence agreement; and (c) the programs, movies or series are available for distribution, first showing or telecast, or when the live event is broadcast.

Amounts paid for broadcast and distribution rights before all of the above conditions are met are recorded as prepaid rights.

Broadcast and distribution rights are charged to operating expenses when televisual products and movies are broadcast or distributed over the contract period, using a method based on how future economic benefits from those rights will be generated.

Estimates of future revenues used to determine the net realizable value of inventories related to audiovisual content are examined periodically by management and revised as necessary. The carrying value of the related inventories is reduced to the net realizable value, if necessary, based on this assessment.

(p) Long-term investments

Investments in companies subject to significant influence (“associates”) are accounted for using the equity method and recorded in “Other assets” on the consolidated balance sheets. Under the equity method, the share of the results of operations of an associate is recorded in the consolidated statements of income. Carrying values of investments are reduced to estimated fair values if there is objective evidence that the investment is impaired.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Property, plant and equipment

Property, plant and equipment are recorded at cost. Cost represents the acquisition costs, net of government subsidies and investment tax credits, or construction costs, including preparation, installation and testing costs. In the case of projects to construct wireline and mobile networks, the cost includes equipment, direct labour and related overhead costs. Projects under development may also be comprised of advance payments made to suppliers for equipment under construction.

Borrowing costs are also included in the cost of property, plant and equipment during the development phase. Expenditures, such as maintenance and repairs, are expensed as incurred.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

Assets	Estimated useful lives
Buildings and leasehold improvements	5 to 40 years
Machinery and equipment	3 to 20 years
Telecommunication networks	3 to 20 years

Depreciation methods, residual values, and the useful lives of significant property, plant and equipment are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

Leasehold improvements are depreciated over the shorter of the term of the lease and their estimated useful life.

A decommissioning obligation in connection with the Corporation’s mobile network is recorded at the net present value of the estimated future expenditures required to settle the estimated future obligation at the consolidated balance sheet date. Changes in estimates of the decommissioning obligation are reflected in property, plant and equipment on the consolidated balance sheets. The Corporation does not record any decommissioning obligations in connection with its wireline distribution networks. The Corporation expects to renew all of its agreements with utility companies to access their support structures in the future, making the retirement date so far into the future that the present value of the restoration costs is insignificant for those assets.

Videotron is engaged in an agreement to operate a shared LTE network in the Province of Québec and in the Ottawa area.

(r) Goodwill and intangible assets

Goodwill

Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Goodwill is allocated as at the date of a business acquisition to a CGU for purposes of impairment testing (note 1(f)). The allocation is made to the CGU or group of CGUs expected to benefit from the synergies of the business acquisition.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Goodwill and intangible assets (continued)

Intangible assets

Spectrum licences are recorded at cost. Spectrum licences have an indefinite useful life and are not amortized, in view of the following facts: (i) the Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by Innovation, Science and Economic Development Canada; (ii) the Corporation has the financial and operational ability to renew these spectrum licences; (iii) currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences; and (iv) the Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Software is recorded at cost. In particular, internally generated intangible assets such as software and website development are mainly comprised of internal costs in connection with the development of assets to be used internally or to provide services to customers. These costs are capitalized when the development stage of the software application begins and costs incurred prior to that stage are recognized as expenses.

Broadcasting licences, trademarks and sport franchises also have an indefinite useful life and are not amortized. These intangible assets are recorded at cost or at fair value at the acquisition date if they are acquired through a business acquisition.

Naming rights for the Videotron Centre in Québec City are recognized at cost.

Customer relationships and other intangible assets acquired through a business acquisition are recorded at fair value at the date of acquisition.

Borrowing costs directly attributable to the acquisition, development or production of an intangible asset are also included as part of the cost of that asset during the development phase.

Intangible assets with finite useful lives are amortized over their useful lives using the straight-line method over the following periods:

Assets	**Estimated useful lives**
Software	3 to 7 years
Naming rights	25 years
Customer relationships and other	3 to 10 years

Amortization methods, residual values, and the useful lives of significant intangible assets are reviewed at least once a year. Any change is accounted for prospectively as a change in accounting estimate.

(s) Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Provisions

Provisions are recognized (i) when the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and (ii) when the amount of the obligation can be reliably estimated.

Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each consolidated balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

(u) Stock-based compensation

Stock-based awards to employees that call for settlement in cash, deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant. Key assumptions are described in note 24.

(v) Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

(i) Defined contribution pension plans

Under its defined contribution pension plans, the Corporation pays fixed contributions to participating employees' pension plans and has no legal or constructive obligation to pay any further amounts. Obligations for contributions to defined contribution pension plans are recognized as employee benefits in the consolidated statements of income when the contributions become due.

(ii) Defined benefit pension plans and postretirement plans

Defined benefit pension plan costs are determined using actuarial methods and are accounted for using the projected unit credit method, which incorporates management's best estimates of future salary levels, other cost escalations, retirement ages of employees, and other actuarial factors. Defined benefit pension costs, recognized in the consolidated statements of income as employee costs, mainly include the following:

- service costs provided in exchange for employee services rendered during the period;
- prior service costs recognized at the earlier of (a) when the employee benefit plan is amended or (b) when restructuring costs are recognized; and
- curtailment or settlement gain or loss.

Interest on net defined benefit liability or asset, recognized in the consolidated statements of income as financial expenses, is determined by multiplying the net defined benefit liability or asset by the discount rate used to determine the defined benefit obligation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Pension plans and postretirement benefits (continued)

(ii) Defined benefit pension plans and postretirement plans (continued)

Re-measurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income (loss) and in accumulated other comprehensive (loss) income. Re-measurements are comprised of the following:

- actuarial gains and losses arising from changes in financial and demographic actuarial assumptions used to determine the defined benefit obligation or from experience adjustments to liabilities;
- the difference between actual return on plan assets and interest income on plan assets anticipated as part of the interest on net defined benefit liability or asset calculation; and
- changes in the net benefit asset limit or in the minimum funding liability.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans.

The Corporation also offers discounts on telecommunication services and health, life and dental insurance plans to some of its retired employees. The cost of postretirement benefits is determined using an accounting methodology similar to that for defined benefit pension plans. The benefits related to these plans are funded by the Corporation as they become due.

(w) Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

(x) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities, related amounts of revenues and expenses, and disclosure of contingent assets and liabilities. Although these estimates are based on management's best judgment and information available at the time of the assessment date, actual results could differ from those estimates.

The following significant areas represent management's most difficult, subjective or complex estimates:

(i) Recoverable amount of an asset or a CGU

When an impairment test is performed on an asset or a CGU, management estimates the recoverable amount of the asset or CGU based on its fair value less costs of disposal or its value in use. These estimates are based on valuation models requiring the use of a number of assumptions such as forecasts of future cash flows, pre-tax discount rate (WACC) and perpetual growth rate, or the use of multiples of operating performance of comparable entities. These assumptions have a significant impact on the results of impairment tests and on the impairment charge, as the case may be, recorded in the consolidated statements of income. A description of key assumptions used in the goodwill impairment tests and a sensitivity analysis of recoverable amounts are presented in note 16.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Use of estimates and judgments (continued)

(ii) Costs and obligations related to pension and postretirement benefit plans

Estimates of costs and obligations related to pension and postretirement benefit obligations are based on a number of assumptions, such as the discount rate, the rate of increase in compensation, the retirement age of employees, health care costs, and other actuarial factors. Certain of these assumptions may have a significant impact on employee costs and financial expenses recorded in the consolidated statements of income, the re-measurement gain or loss on defined benefit plans recorded in the consolidated statements of comprehensive income, and the carrying value of other assets or other liabilities on the consolidated balance sheets. Key assumptions and a sensitivity analysis of the discount rate are presented in note 31.

(iii) Provisions

The recognition of provisions requires management to estimate expenditures required to settle a present obligation or to transfer it to a third party at the date of assessment. It can also require an assessment of the probable outcomes of legal proceedings or other contingencies. Management expectations on the potential effect of the possible outcomes of legal disputes on the consolidated financial statements are presented in note 28.

(iv) Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations and future conditional adjustments are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

The following areas represent management's most significant judgments, apart from those involving estimates:

(i) Useful life periods for the depreciation and amortization of assets with finite useful lives

For each class of assets with finite useful lives, management has to determine over which period the Corporation will consume the assets' future economic benefits. The determination of a useful life period involves judgment and has an impact on the depreciation and amortization charge recorded in the consolidated statements of income.

(ii) Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

(iii) Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the Canadian Radio-television and Telecommunications Commission ("CRTC") and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. REVENUES

	2021	2020
Telecommunications:		
Internet	$ **1,201.4**	$ 1,131.4
Television	**836.1**	903.6
Mobile telephony	**712.5**	658.5
Wireline telephony	**318.5**	338.4
Mobile equipment sales	**276.4**	257.2
Wireline equipment sales	**204.0**	151.7
Other	**186.1**	181.8
Media:		
Advertising	**354.0**	285.5
Subscription	**202.7**	200.3
Other	**219.3**	164.7
Sports and Entertainment	**167.0**	158.0
Inter-segments	**(123.6)**	(113.3)
	$ **4,554.4**	$ 4,317.8

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

The main components are as follows:

	2021	2020
Employee costs	$ **857.0**	$ 835.5
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(172.0)**	(200.0)
	685.0	635.5
Purchase of goods and services[1]:		
Royalties, rights and creation costs[2]	**749.5**	651.0
Cost of products sold	**513.5**	476.0
Service contracts	**193.9**	197.3
Marketing, circulation and distribution expenses	**85.7**	80.8
Other	**353.6**	324.6
	1,896.2	1,729.7
	$ **2,581.2**	$ 2,365.2

1 Cost of inventories included in purchase of goods and services amounted to $862.3 million in 2021 ($744.4 million in 2020). Write-downs of inventories totalling $7.3 million were recognized in purchase of goods and services in 2021 ($6.9 million in 2020).

2 In 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. The cost of NHL rights therefore increased by $26.6 million in 2021 as compared to 2020.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

4. FINANCIAL EXPENSES

		2021		2020
Interest on long-term debt and on debentures	**$**	**312.4**	$	305.2
Amortization of financing costs		**7.9**		8.1
Interest on lease liabilities		**8.5**		8.2
Interest on net defined benefit liability		**8.8**		7.7
Gain on foreign currency translation of short-term monetary items		**(1.0)**		(1.7)
Other		**(3.2)**		0.7
	$	**333.4**	$	328.2

5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

		2021		2020
Gain on embedded derivatives related to convertible debentures	**$**	**(14.9)**	$	(9.3)
Other		**0.5**		1.3
	$	**(14.4)**	$	(8.0)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

In 2021, a charge of $25.3 million was recorded in connection with cost reduction initiatives in the Corporation's various segments ($31.6 million in 2020), while an asset impairment charge of $1.5 million was also recorded in 2021 ($8.5 million in 2020).

On April 1, 2021, Alithya Group Inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of $19.6 million was recorded in the second quarter of 2021. This transaction also included purchase commitments from Quebecor for Alithya's services totalling approximately $360.0 million as part of a 10-year commercial agreement (note 26).

In addition, the Corporation also recorded a gain related to other items of $3.1 million in 2021 ($0.9 million in 2020).

7. LOSS ON DEBT REFINANCING

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of $80.9 million was recorded in the consolidated statement of income in 2021, including a gain of $1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of $1,377.9 million, including the early redemption premium.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. INCOME TAXES

The following table reconciles income taxes at the Corporation’s domestic statutory tax rate of 26.5% in both 2021 and 2020 and with income taxes in the consolidated statements of income:

	2021	2020
Income taxes at domestic statutory tax rate	**$ 208.1**	$ 209.3
Increase (reduction) resulting from:		
Non-deductible charges, non-taxable income and differences between current and future tax rates	**(12.2)**	(3.6)
Other	**1.1**	0.1
Income taxes	**$ 197.0**	$ 205.8

The significant items comprising the Corporation's net deferred income tax liability and their impact on the deferred income tax expense are as follows:

	Consolidated balance sheets		**Consolidated income statements**	
	2021	2020	**2021**	2020
Loss carryforwards	**$ 80.6**	$ 79.2	**$ (1.4)**	$ (2.8)
Defined benefit plans	**38.6**	85.8	**(3.0)**	(4.9)
Contract assets	**(41.2)**	(65.5)	**(24.3)**	6.7
Property, plant and equipment	**(445.0)**	(467.6)	**(22.6)**	(22.0)
Goodwill, intangible assets and other assets	**(332.8)**	(322.9)	**9.0**	20.3
Long-term debt, derivative financial instruments and exchangeable debentures	**(120.6)**	(130.9)	**(6.6)**	(0.5)
Other	**30.0**	19.2	**(11.0)**	0.3
	$ (790.4)	$ (802.7)	**$ (59.9)**	$ (2.9)

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. INCOME TAXES (continued)

Changes in the net deferred income tax liability are as follows:

		2021		2020
Balance at beginning of year	**$**	**(802.7)**	$	(828.0)
Recognized in income as continuing operations		**59.9**		2.9
Recognized in other comprehensive income		**(46.7)**		28.9
Business acquisitions		**(0.9)**		(0.8)
Discontinued operations and other		**–**		(5.7)
Balance at end of year	**$**	**(790.4)**	$	(802.7)
Deferred income tax asset	**$**	**39.2**	$	45.5
Deferred income tax liability		**(829.6)**		(848.2)
	$	**(790.4)**	$	(802.7)

As of December 31, 2021, the Corporation had loss carryforwards for income tax purposes of $25.7 million available to reduce future taxable income, which will expire between 2035 and 2041. These losses have been recognized. The Corporation also had capital losses of $583.9 million that can be carried forward indefinitely and applied only against future capital gains. All capital losses have been recognized.

There are no income tax consequences attached to the payment of dividends by the Corporation to its shareholders.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	2021	2020
Income from continuing operations attributable to shareholders	**$ 578.4**	$ 574.0
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(10.6)**	(5.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 567.8**	$ 568.9
Net income attributable to shareholders	**$ 578.4**	$ 607.2
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(10.6)**	(5.1)
Net income attributable to shareholders, adjusted for dilution effect	**$ 567.8**	$ 602.1
Weighted average number of shares outstanding (in millions)	**243.5**	251.6
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**4.8**	4.7
Weighted average number of diluted shares outstanding (in millions)	**248.3**	256.3

During the year ended December 31, 2021, 841,610 options under the Quebecor plan and 25,000 options under the TVA Group Inc. ("TVA Group") plan were excluded from the diluted earnings per share calculation since their impact is anti-dilutive.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

10. BUSINESS ACQUISITIONS

2021

- In 2021, the Corporation acquired businesses, included in the Telecommunications segment and in the Sports and Entertainment segment, for a total cash consideration of $21.2 million.
- In 2021, a post-closing adjustment of $0.2 million was received relating to a prior acquisition.

2020

- On December 31, 2020, Videotron closed the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue for a cash consideration of $32.9 million, net of cash acquired of $0.1 million. The acquired assets consist mainly of the network, intangible assets and goodwill.
- On June 17, 2020, the Sports and Entertainment segment acquired the Théâtre Capitole, a concert hall in Québec City, for a cash consideration of $10.8 million, net of an assumed working capital liability. The acquired assets consist mainly of the building and equipment.

11. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was classified as restricted cash with a corresponding amount recorded as deferred subsidies on the consolidated balance sheets. In 2021, $53.8 million of these deferred subsidies were recognized as a reduction of additions to property, plant and equipment, upon the realization of the required investments.

12. ACCOUNTS RECEIVABLE

	2021	2020
Trade	**$ 614.2**	$ 459.6
Other	**130.9**	104.0
	$ 745.1	$ 563.6

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. PROPERTY, PLANT AND EQUIPMENT

Changes in the net carrying amount of property, plant and equipment are as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Telecom-munication networks	Projects under development	Total
Cost					
Balance as of December 31, 2019	$ 636.4	$ 1,985.3	$ 6,327.2	$ 97.0	$ 9,045.9
Additions	13.4	66.5	230.3	137.0	447.2
Net change in additions financed with non-cash balances	–	1.4	(57.0)	(9.2)	(64.8)
Reclassification	2.3	(57.4)	184.5	(129.4)	–
Retirement, disposals and other	13.7	31.0	(228.8)	–	(184.1)
Balance as of December 31, 2020	665.8	2,026.8	6,456.2	95.4	9,244.2
Additions	12.9	58.9	178.6	178.9	429.3
Net change in additions financed with non-cash balances	–	(0.4)	(1.1)	(11.2)	(12.7)
Decommissioning obligation	–	–	37.1	–	37.1
Reclassification	(6.6)	8.7	153.6	(155.7)	–
Retirement, disposals and other	(7.5)	(239.2)	0.1	(0.3)	(246.9)
Balance as of December 31, 2021	**$ 664.6**	**$ 1,854.8**	**$ 6,824.5**	**$ 107.1**	**$ 9,451.0**
Accumulated depreciation and impairment losses					
Balance as of December 31, 2019	$ 276.3	$ 1,483.7	$ 3,870.0	$ –	$ 5,630.0
Depreciation	21.6	145.7	454.8	–	622.1
Retirement, disposals and other	(0.5)	34.1	(230.7)	–	(197.1)
Balance as of December 31, 2020	297.4	1,663.5	4,094.1	–	6,055.0
Depreciation	21.5	119.8	436.1	–	577.4
Retirement, disposals and other	(7.6)	(232.6)	0.1	–	(240.1)
Balance as of December 31, 2021	**$ 311.3**	**$ 1,550.7**	**$ 4,530.3**	**$ –**	**$ 6,392.3**
Net carrying amount					
As of December 31, 2020	$ 368.4	$ 363.3	$ 2,362.1	$ 95.4	$ 3,189.2
As of December 31, 2021	**$ 353.3**	**$ 304.1**	**$ 2,294.2**	**$ 107.1**	**$ 3,058.7**

In 2020, the depreciation of certain components of the Corporation's telecommunication networks was accelerated in order to reflect shorter remaining useful lives as a result of technology changes. Depreciation was increased by $24.0 million in 2020 to reflect the new useful lives.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INTANGIBLE ASSETS

Changes in the net carrying amount of intangible assets are as follows:

	Spectrum licences	Software	Broadcasting licences, naming rights, projects under development and other	Total
Cost				
Balance as of December 31, 2019	$ 979.3	$ 1,270.7	$ 352.5	$ 2,602.5
Additions	–	125.6	80.3	205.9
Net change in additions financed with non-cash balances	–	(114.2)	63.8	(50.4)
Business acquisitions	–	0.1	9.6	9.7
Reclassification	–	129.0	(129.0)	–
Retirement, disposals and other	–	(21.7)	(4.9)	(26.6)
Balance as of December 31, 2020	979.3	1,389.5	372.3	2,741.1
Additions[1]	830.0	92.3	96.4	1,018.7
Net change in additions financed with non-cash balances	–	(35.3)	43.0	7.7
Business acquisitions	–	–	16.2	16.2
Reclassification	–	68.0	(68.0)	–
Retirement, disposals and other	–	(17.1)	(26.9)	(44.0)
Balance as of December 31, 2021	**$ 1,809.3**	**$ 1,497.4**	**$ 433.0**	**$ 3,739.7**

[1] In 2021, Videotron acquired 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: southern and eastern Ontario, Manitoba, Alberta and British Columbia. Videotron made an initial deposit of $166.0 million in the third quarter of 2021 for the acquisition of these spectrum licences. The final payment of $664.0 million was made on December 17, 2021.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. INTANGIBLE ASSETS (continued)

	Spectrum licences	Software	Broadcasting licences, naming rights, projects under development and other	Total
Accumulated amortization and impairment losses				
Balance as of December 31, 2019	$ 247.7	$ 737.6	$ 173.2	$ 1,158.5
Amortization	–	133.0	10.4	143.4
Retirement, disposals and other	–	(21.7)	(5.8)	(27.5)
Balance as of December 31, 2020	247.7	848.9	177.8	1,274.4
Amortization	–	150.8	14.5	165.3
Retirement, disposals and other	–	(17.3)	(26.8)	(44.1)
Balance as of December 31, 2021	**$ 247.7**	**$ 982.4**	**$ 165.5**	**$ 1,395.6**
Net carrying amount				
As of December 31, 2020	$ 731.6	$ 540.6	$ 194.5	$ 1,466.7
As of December 31, 2021	**$ 1,561.6**	**$ 515.0**	**$ 267.5**	**$ 2,344.1**

The cost of internally generated intangible assets, mainly composed of software, was $902.1 million as of December 31, 2021 ($732.5 million as of December 31, 2020). For the year ended December 31, 2021, the Corporation recorded additions of internally generated intangible assets of $186.0 million ($98.6 million in 2020).

The accumulated amortization and impairment losses on internally generated intangible assets, mainly composed of software, were $485.1 million as of December 31, 2021 ($437.2 million as of December 31, 2020). For the year ended December 31, 2021, the Corporation recorded $64.2 million in amortization on its internally generated intangible assets ($52.2 million in 2020). The net carrying value of internally generated intangible assets was $417.0 million as of December 31, 2021 ($295.3 million as of December 31, 2020).

Spectrum licences are allocated to the Telecommunications CGU, broadcasting licences are allocated to the Broadcasting CGU, trademarks are allocated to the Telecommunications and Magazines CGUs, while sport franchises are allocated to the Sports and Entertainment CGU. The net carrying value of intangible assets with an indefinite useful life was $1,571.1 million as of December 31, 2021 ($741.1 million as of December 31, 2020).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. RIGHT-OF-USE ASSETS

Changes in the net carrying amount of right-of-use assets, which mainly relate to leases of premises and vehicles, are as follows:

		2021		2020
Cost				
Balance at beginning of year	**$**	**356.6**	$	304.8
Additions financed with lease obligations		**51.8**		77.4
Retirement and other		**(25.2)**		(25.6)
Balance at end of year		**383.2**		356.6
Accumulated depreciation				
Balance at beginning of year		**213.5**		194.4
Depreciation		**41.1**		37.7
Retirement and other		**(23.7)**		(18.6)
Balance at end of year		**230.9**		213.5
Net carrying amount	**$**	**152.3**	$	143.1

The Corporation does not recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets.

16. GOODWILL

Changes in the net carrying amount of goodwill are as follows:

		2021		2020
Cost				
Balance at beginning of year	**$**	**5,706.8**	$	5,685.7
Business acquisitions		**4.5**		21.1
Balance at end of year		**5,711.3**		5,706.8
Accumulated impairment losses				
Balance at beginning and at end of year		**2,992.8**		2,992.8
Net carrying amount	**$**	**2,718.5**	$	2,714.0

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. GOODWILL (continued)

The net carrying amount of goodwill as of December 31, 2021 and 2020 was allocated to the following significant CGU groups:

		2021		2020
CGU groups				
Telecommunications	**$**	**2,683.7**	$	2,679.2
Other[1]		**34.8**		34.8
Total	**$**	**2,718.5**	$	2,714.0

[1] Includes mainly the CGUs related to Film, audiovisual content and television activities, Book publishing and distribution activities, and Sports and Entertainment activities.

Recoverable amounts

CGU recoverable amounts were determined based on the higher of a value in use or a fair value less costs of disposal with respect to the impairment tests performed. The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. In particular, specific assumptions are used for each type of revenue generated by a CGU or for each nature of expenses, as well as for future capital expenditures. Such assumptions will consider, among many other factors, subscribers, readership and viewer statistics, advertising market trends, competitive landscape, evolution of product and service offerings, wireless penetration growth, proliferation of media platforms, technology evolution, broadcast programming strategy, bargaining agreements, Canadian GDP rates, and operating cost structures.

A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of (i) the time value of money, and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate. In certain circumstances, the Corporation can also estimate the fair value less cost of disposal with a market approach that consists of estimating the recoverable amount by using multiples of operating performance of comparable entities, transaction metrics and other financial information available, instead of primarily using the discounted cash flow method. The following key assumptions were used to determine recoverable amounts in the most recent impairment tests performed on the Corporation's significant CGU groups:

		2021		2020
CGU groups[1]	**Pre-tax discount rate (WACC)**	**Perpetual growth rate**	Pre-tax discount rate (WACC)	Perpetual growth rate
Telecommunications [2]	**8.5** %	**2.0 %**	8.5 %	2.0 %
Other	**11.5 to 15.5**	**0.0 to 2.0**	10.5 to 15.5	0.0 to 2.0

[1] In 2021 and 2020, the recoverable amounts of all CGUs were based on value in use, using the discounted cash flow method, except the Television CGU which was based on fair value less costs of disposal in 2021.

[2] The same recoverable amount used in the 2020 annual impairment test was used in 2021. Accordingly, pre-tax discount rate and perpetual growth rate are the same in 2021 and 2020.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

16. GOODWILL (continued)

Recoverable amounts (continued)

No reasonable changes in the discount rate or in the perpetual growth rate used in the most recent test performed would have caused the recoverable amount of the Telecommunications CGU to equal its carrying value.

17. OTHER ASSETS

		2021		2020
Contract assets[1]	**$**	**155.6**	$	247.2
Audiovisual content		**212.0**		195.3
Contract costs[2]		**174.8**		148.2
Investments[3]		**159.3**		81.0
Equipment installments receivable		**358.6**		148.6
Other		**55.1**		97.9
		1,115.4		918.2
Less current portion of contract assets		**(129.4)**		(174.9)
Less current portion of audiovisual content (included in “Inventories”)		**(139.5)**		(138.0)
Less current portion of contract costs (included in “Other current assets”)		**(68.5)**		(59.9)
Less current portion of equipment installments receivable (included in “Accounts receivable”)		**(256.9)**		(111.6)
	$	**521.1**	$	433.8

1 Impairment loss on contract assets resulting from mobile contracts being cancelled prior to their initial term amounted to $17.1 million in 2021 ($20.5 million in 2020), net of the early termination penalty charged to the customer. In current and comparative periods, there were no significant cumulative catch-up adjustments to revenue that affected the corresponding contract asset, including adjustments arising from a change in an estimate of the transaction price or a contract modification. There were also no significant changes in the time frame for a performance obligation to be satisfied.

2 Amortization amounted to $73.3 million in 2021 ($65.9 million in 2020).

3 In 2021, the Corporation made a strategic investment a Turkish digital technology firm for a cash consideration of $48.5 million. This investment in a foreign associate is accounted for using the equity method. A loss of $16.2 million on the translation of this investment was recorded in the consolidated statements of comprehensive income in 2021.

In 2021, the Corporation also acquired an interest in Alithya in connection with the sale of its investment in R3D Conseil inc. (note 6). This equity investment is measured at fair value through other comprehensive income and accordingly, a gain on revaluation of $1.8 million was recorded in the consolidated statements of comprehensive income.

18. ACCOUNTS PAYABLE, ACCRUED CHARGES AND PROVISIONS

		2021		2020
Trade and accruals	**$**	**681.7**	$	666.8
Salaries and employee benefits		**119.3**		126.4
Interest payable		**45.1**		56.2
Provisions and other		**14.9**		22.8
	$	**861.0**	$	872.2

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT

	Effective interest rate as of December 31, 2021	2021	2020
Quebecor			
Other loan (i)	3.76 %	**$ 44.5**	$ 45.9
Quebecor Media (ii), (iii)			
Senior Notes (iv)		**1,089.3**	1,593.4
Videotron (ii), (v)			
Bank credit facility (vi)	1.90 %	**285.0**	–
Senior Notes (iv)		**5,123.2**	4,120.0
		5,408.2	4,120.0
TVA Group Inc. (ii), (v)			
Bank credit facility (vii)	1.85 %	**12.0**	27.1
Total long-term debt		**6,554.0**	5,786.4
Change in fair value related to hedged interest rate risk		**8.3**	16.8
Financing costs, net of amortization		**(37.9)**	(29.8)
		(29.6)	(13.0)
		6,524.4	5,773.4
Less current portion		**(56.5)**	(28.5)
		$ 6,467.9	$ 5,744.9

As of December 31, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,245.9 million ($3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of $381.4 million ($605.1 million as of December 31, 2020).

(i) This mortgage loan bears interest at a fixed rate, payable every month, and matures in October 2022. The Corporation repays the principal amount in monthly repayments and the balance at the end of the term. The loan is secured by a first ranking hypothec on the head office building.

(ii) The debts of these subsidiaries are non-recourse to Quebecor.

(iii) Quebecor Media's bank credit facility provides for a $300.0 million secured revolving credit facility that matures in July 2022 and bears interest at Bankers' acceptance rate, London Inter-Bank Offered Rate ("LIBOR"), Canadian prime rate or U.S. prime rate, plus a premium determined by Quebecor Media's leverage ratio. This credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Quebecor Media's ability to incur additional indebtedness, pay dividends, and make other distributions. It is secured by liens on all of the movable property and assets of Quebecor Media (primarily shares of its subsidiaries), now owned or hereafter acquired. As of December 31, 2021, the credit facility was secured by assets with a carrying value of $1,255.7 million ($1,130.2 million in 2020). As of December 31, 2021 and 2020, no amount was drawn on the secured revolving credit facility.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT (continued)

(iv) The Senior Notes are unsecured and contain certain restrictions on the respective issuers, including limitations on their ability to incur additional indebtedness, pay dividends, or make other distributions. Some Notes are redeemable at the option of the issuer, in whole or in part, at a price based on a make-whole formula during the first three or five years of the term of the Notes and at a decreasing premium thereafter, while the remaining Notes are redeemable at a price based on a make-whole formula at any time prior to maturity. The Senior Notes issued by Videotron are guaranteed by specific subsidiaries of Videotron. The following table summarizes the terms of the outstanding Senior Notes as of December 31, 2021:

Principal amount	Annual nominal interest rate	Maturity date	Interest payable every 6 months on
Quebecor Media			
US$ 850.0	5.750 %	January 15, 2023	June and December 15
Videotron			
US$ 600.0	5.375 %	June 15, 2024	June and December 15
$ 400.0	5.625 %	June 15, 2025	April and October 15
$ 375.0	5.750 %	January 15, 2026	March and September 15
US$ 600.0	5.125 %	April 15, 2027	April and October 15
$ 800.0	4.500 %	January 15, 2030	April and October 15
$ 650.0[1]	3.125 %	January 15, 2031	January and July 15
$ 750.0[2]	3.625 %	June 15, 2028	June and December 15
US$ 500.0[3]	3.625 %	June 15, 2029	June and December 15

1 The Notes were issued in January 2021 for net proceeds of $644.0 million, net of financing costs of $6.0 million.

2 The Notes were issued in June 2021 for net proceeds of $743.2 million, net of financing costs of $6.8 million.

3 The Notes were issued in June 2021 for net proceeds of $599.6 million, net of financing costs of $5.8 million.

(v) The debts of these subsidiaries are non-recourse to Quebecor Media.

(vi) Videotron’s bank credit facility provides for a $1,500.0 million secured revolving credit facility that matures in July 2023 and bears interest at Bankers’ acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by Videotron’s leverage ratio. The bank credit facility is secured by a first ranking hypothec on the universality of all tangible and intangible assets, current and future, of Videotron and most of its wholly owned subsidiaries. As of December 31, 2021, the bank credit facility was secured by assets with a carrying value of $8,900.3 million ($8,114.0 million in 2020). The bank credit facility contains covenants such as maintaining certain financial ratios, as well as limitations on Videotron’s ability to incur additional indebtedness, pay dividends, or make other distributions. As of December 31, 2021, $285.0 million was drawn on the secured revolving credit facility (no amount was drawn as of December 31, 2020).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

19. LONG-TERM DEBT (continued)

(vii) TVA Group's bank credit facility provides for a secured revolving credit facility in the amount of $75.0 million that matures in February 2022 and bears interest at Bankers' acceptance rate, LIBOR, Canadian prime rate or U.S. prime rate, plus a premium determined by TVA Group's leverage ratio. The bank credit facility contains covenants such as maintaining certain financial ratios, limitations on TVA Group's ability to incur additional indebtedness, pay dividends, or make other distributions. The credit facility is secured by liens on all of its movable assets and an immovable hypothec on its head office building. As of December 31, 2021, $12.0 million was drawn on the revolving credit facility ($27.1 million as of December 31, 2020).

In December 2021, Investissement Québec granted TVA Group an interest-free unsecured loan for a maximum amount of $25.0 million in order to support the construction of a fourth MELS production studio. The loan contains certain restrictive covenants as well as typical representations and warranties for these loans. As of December 31, 2021, no amount was drawn on the unsecured loan.

On February 15, 2022, TVA Group amended its secured revolving credit facility to extend its term to February 2023.

On December 31, 2021, the Corporation was in compliance with all debt covenants.

Principal repayments of long-term debt over the coming years are as follows:

2022	$	56.5
2023		1,374.2
2024		758.2
2025		400.0
2026		375.0
2027 and thereafter		3,590.1

Changes in long-term debt are as follows:

		2021		2020
Balance at beginning of year	**$**	**5,773.4**	$	5,957.5
Net change under revolving facilities, net of financing costs		**269.8**		(127.0)
Issuance of long-term debt, net of financing costs		**1,986.8**		–
Repayment of long-term debt, excluding early redemption premium		**(1,486.1)**		(1.3)
Foreign currency translation		**(22.6)**		(71.4)
Amortization of financing costs		**7.9**		8.1
Change in fair value related to hedged interest rate risk		**(8.5)**		7.7
Other		**3.7**		(0.2)
Balance at end of year	**$**	**6,524.4**	$	5,773.4

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

20. LEASE LIABILITIES

Changes in lease liabilities are as follows:

		2021		2020
Balance at beginning of year	**$**	**173.3**	$	137.9
Lease obligations financing right-of-use assets		**51.8**		77.4
Repayments		**(41.1)**		(41.9)
Other		**(0.8)**		(0.1)
		183.2		173.3
Less current portion		**(36.1)**		(34.3)
	$	**147.1**	$	139.0

Interest rates on lease liabilities ranged from 1.9% to 9.3% as of December 31, 2021 and 2020.

Repayments of lease liabilities over the coming years are as follows:

2022	$	36.1
2023		32.6
2024		26.8
2025		17.7
2026		11.1
2027 and thereafter		58.9

21. OTHER LIABILITIES

	Note		**2021**		2020
Defined benefit plans	31	**$**	**166.1**	$	323.8
Decommissioning obligation			**59.0**		19.3
Other[1]			**68.1**		79.7
		$	**293.2**	$	422.8

[1] Including exchangeable debentures, Series 2001 and Series Abitibi that mature in 2026, having a combined principal amount outstanding of $844.9 million as of December 31, 2021 and 2020 and a combined carrying value of $2.1 million as of December 31, 2021 and 2020. The exchangeable debentures bear interest at a rate of 0.10% on the debentures' principal amount. Prior to maturity, the Corporation may, at its option, satisfy its obligations without any consideration.

22. CONVERTIBLE DEBENTURES

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. Interest on the convertible debentures is payable semi-annually in cash, in Class B Subordinate Voting Shares ("Class B Shares") or with the proceeds from the sale of Class B Shares. At maturity, the convertible debentures will be payable in cash by the Corporation at the outstanding principal amount, plus accrued and unpaid interest, subject to redemption, conversion, purchase or previous repayment. One day prior to maturity, the Corporation may redeem the outstanding convertible debentures by issuing that number of Class B Shares obtained by dividing the outstanding principal amount by the then current market price of a Class B share, subject to an adjusted floor price of approximately $25.49 per share (that is, a maximum number of approximately 5,883,572 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $31.87 per share (that is, a minimum number of approximately 4,706,858 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price). At any time prior to the day prior to maturity, the Corporation may redeem or convert, in whole or in part, the outstanding convertible debentures, subject to the terms of the trust indenture. The convertible debentures are convertible at all times prior to the maturity date into Class B Shares by the holders, in accordance with the terms of the trust indenture. In all cases, the Corporation has the option to pay an amount in cash equal to the market value of shares that would otherwise have been issued, being the product of (i) the number of those Class B Shares and (ii) the then-current market price of a Class B share.

The principal amount of the convertible debentures is presented separately as a financial liability and the conversion features related to the floor and ceiling prices are presented as embedded derivatives. The fair value of these embedded derivatives as of December 31, 2021 was estimated using the Black-Scholes option pricing model, considering a risk-free rate of 1.20% (0.43% in 2020), a dividend yield of 3.91% (2.43% in 2020), and an expected volatility of 24.32% (22.00% in 2020). A one dollar increase in the market price of a Class B share as of December 31, 2021 would have decreased the gain on embedded derivatives related to convertible debentures by $4.1 million, while a one dollar decrease in the market price of a Class B share would have increased the gain by $4.1 million.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

23. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	**Amount**	**Number**	**Amount**
Balance as of December 31, 2019	77,213,834	$ 8.6	177,415,407	$ 1,047.3
Class A Shares converted into Class B Shares	(174,000)	–	174,000	–
Shares purchased and cancelled	–	–	(6,457,050)	(38.1)
Balance as of December 31, 2020	77,039,834	8.6	171,132,357	1,009.2
Class A Shares converted into Class B Shares	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(8,914,650)	(52.6)
Balance as of December 31, 2021	**76,984,034**	**$ 8.6**	**162,273,507**	**$ 956.6**

On August 4, 2021, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2021, the Corporation purchased and cancelled 8,914,650 Class B Shares for a total cash consideration of $282.4 million (6,457,050 Class B Shares for a total cash consideration of $201.2 million in 2020). The excess of $229.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction of retained earnings in 2021 ($163.1 million in 2020).

On February 23, 2022, the Board of Directors of the Corporation declared a dividend of $0.30 per share on Class A Shares and Class B Shares, or approximately $71.8 million, payable on April 5, 2022, to shareholders of record at the close of business on March 11, 2022.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS

(a) Quebecor plans

(i) Stock option plan

Under a stock option plan established by the Corporation, 26,000,000 Class B Shares of the Corporation have been set aside for directors, officers, senior employees, and other key employees of Quebecor. The exercise price of each option is equal to the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the granting of the option. Each option may be exercised during a period not exceeding 10 years from the date granted. As per the provisions of the plan, options usually vest as follows: 1/3 after one year, 2/3 after two years, and 100% three years after the original grant. The Board of Directors of the Corporation may, at its discretion, affix different vesting periods at the time of each grant. Thus, since 2018, when granting options, the Board of Directors of the Corporation has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Holders of options under the stock option plan have the choice, when they exercise their options, of acquiring the Class B Shares at the corresponding option exercise price or receiving a cash payment equivalent to the difference between the market value of the underlying shares and the exercise price of the option. Holders of options have committed to obtain the consent of the Corporation before exercising their right to subscribe the shares for which they exercise their options.

The following table gives details on changes to outstanding options for the years ended December 31, 2021 and 2020:

	2021		2020	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**3,630,959**	**$ 30.57**	2,504,892	$ 29.21
Granted	**100,000**	**31.49**	1,342,267	33.19
Exercised	**(101,326)**	**26.52**	–	–
Cancelled	**(1,250,033)**	**30.64**	(216,200)	31.09
Balance at end of year	**2,379,600**	**$ 30.74**	3,630,959	$ 30.57
Vested options at end of year	**202,260**	**$ 26.52**	–	$ –

During the year ended December 31, 2021, 101,326 of the Corporation's stock options were exercised for a cash consideration of $0.4 million (none in 2020).

As of December 31, 2021, exercise prices of all outstanding options were from $26.52 to $33.19 and the average years to maturity was 7.8.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(a) Quebecor plans (continued)

(ii) Deferred share unit plan

The Quebecor DSU plan is for the benefit of the Corporation's directors. Under this plan, each director receives a portion of his/her compensation in the form of DSUs, such portion representing at least 50% of the annual retainer, which could be less upon reaching the minimum shareholding threshold set out in the policy regarding minimum shareholding by directors. Subject to certain conditions, each director may elect to receive up to 100% of the total fees payable for services as a director in the form of units. The value of a DSU is based on the weighted average trading price of Quebecor Class B Shares on the Toronto Stock Exchange over the last five trading days immediately preceding the relevant date. DSUs will entitle the holders thereof to dividends, which will be paid in the form of additional units at the same rate as that applicable to dividends paid from time to time on Quebecor Class B Shares. Subject to certain limitations, the DSUs will be redeemed by the Corporation when the director ceases to serve as a director of the Corporation. For the purpose of redeeming units, the value of a DSU shall correspond to the fair market value of Quebecor Class B Shares on the date of redemption. As of December 31, 2021, the total number of DSUs outstanding under this plan was 446,173 (404,053 as of December 31, 2020).

(b) Quebecor Media stock option plan

During the year ended December 31, 2021, 47,950 of Quebecor Media's stock options were exercised for a cash consideration of $3.2 million (81,250 stock options for $4.7 million in 2020). As of December 31, 2021, there were no outstanding option related to the Quebecor Media stock option plan.

(c) TVA Group stock option plan

Under this stock option plan, 2,200,000 TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares") have been set aside for senior executives and directors of TVA Group and its subsidiaries. The terms and conditions of options granted are determined by TVA Group's Human Resources and Corporate Governance Committee. The subscription price of an option cannot be less than the closing price of TVA Group Class B Shares on the Toronto Stock Exchange the day before the option is granted. Unless the Human Resources and Corporate Governance Committee decides otherwise, options vest over a five-year period in accordance with one of the following vesting schedules as determined by the Human Resources and Corporate Governance Committee at the time of grant: (i) equally over five years with the first 20% vesting on the first anniversary of the date of the grant; (ii) equally over four years with the first 25% vesting on the second anniversary of the date of grant; and (iii) equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. Thus, since 2018, when granting options, the Human Resources and Corporate Governance Committee has determined that the options would vest equally over three years with the first 33 1/3% vesting on the third anniversary of the date of grant. The term of an option cannot exceed 10 years. Holders of options under the plan have the choice, at the time of exercising their options, of receiving a cash payment from TVA Group equal to the number of shares corresponding to the options exercised, multiplied by the difference between the market value of the TVA Group Class B Shares and the exercise price of the option or, subject to certain conditions, exercise their options to purchase TVA Group Class B Shares at the exercise price. The market value is defined as the average closing market price of the TVA Group Class B Shares for the last five trading days preceding the date on which the option was exercised. Holders of options have committed to obtain the consent of TVA Group before exercising their right to subscribe the shares for which they exercise their options.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(c) TVA Group stock option plan (continued)

The following table gives details on changes to outstanding options for the years ended December 31, 2021 and 2020:

	2021		2020	
	Options	**Weighted average exercise price**	Options	Weighted average exercise price
Balance at beginning of year	**795,000**	**$ 2.06**	515,000	$ 2.43
Granted	**–**	**–**	310,000	1.40
Exercised	**(39,999)**	**2.16**	–	–
Cancelled	**(385,498)**	**2.01**	(30,000)	1.65
Balance at end of year	**369,503**	**$ 2.09**	795,000	$ 2.06
Vested options at end of year	**48,832**	**$ 4.56**	35,000	$ 6.85

As of December 31, 2021, exercise prices of all outstanding options were from $1.40 to $6.85 and the average years to maturity was 7.6.

(d) Deferred share unit and performance share unit plans

The DSU is based either on Quebecor Class B Shares or on TVA Group Class B Shares. The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of December 31, 2021, 96,909 DSUs based on Quebecor Class B Shares and 128,064 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of $4.8 million was paid relating to a performance share unit plan terminated in 2020.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

24. STOCK-BASED COMPENSATION PLANS (continued)

(e) Assumptions in estimating the fair value of stock-based awards

The fair value of stock-based awards under the stock option plans was estimated using the Black-Scholes option pricing model. The following weighted-average assumptions were used to estimate the fair value of all outstanding stock options under the stock option plans:

December 31, 2021	**Quebecor**	**TVA Group**
Risk-free interest rate	**1.33 %**	**1.29 %**
Distribution yield	**3.91 %**	**– %**
Expected volatility	**22.22 %**	**52.11 %**
Expected remaining life	**3.8 years**	**3.7 years**

December 31, 2020	Quebecor	Quebecor Media	TVA Group
Risk-free interest rate	0.54 %	0.27 %	0.53 %
Distribution yield	2.43 %	1.00 %	– %
Expected volatility	21.15 %	28.96 %	56.27 %
Expected remaining life	4.6 years	1.0 year	4.5 years

The expected volatility is based on the historical volatility of the underlying share price for a period equivalent to the expected remaining life of the options. The expected remaining life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate over the expected remaining life of the option is based on the Government of Canada yield curve in effect at the time of the valuation. Distribution yield is based on the current average yield.

(f) Liability for vested options

As of December 31, 2021, the liability for all vested options was \$0.3 million as calculated using the intrinsic value (\$2.9 million as of December 31, 2020).

(g) Consolidated stock-based compensation charge

For the year ended December 31, 2021, a reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of \$3.8 million (a charge of \$4.9 million in 2020).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

25. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Translation of investments in foreign associates	Defined benefit plans	Equity investment	Total
Balance as of December 31, 2019	$ 40.3	$ –	$ (104.4)	$ –	$ (64.1)
Other comprehensive loss	(10.7)	–	(59.1)	–	(69.8)
Balance as of December 31, 2020	29.6	–	(163.5)	–	(133.9)
Other comprehensive income (loss)	3.1	(17.6)	127.5	1.6	114.6
Balance as of December 31, 2021	**$ 32.7**	**$ (17.6)**	**$ (36.0)**	**$ 1.6**	**$ (19.3)**

[1] No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/2-year period.

26. COMMITMENTS

The Corporation has entered into long-term commitments to purchase services, tangible and intangible assets, and broadcasting rights, and to pay licences and royalties. The minimum payments for the coming years are as follows:

2022	$ 322.1
2023 to 2026	765.0
2027 and thereafter	386.7

27. GUARANTEES

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items on the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued on the consolidated balance sheets with respect to these indemnifications.

28. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation’s results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

In August 2021, a competitor launched legal proceedings in Federal Court contesting the awarding of licences in the 3500 MHZ band in Western Canada to Videotron (note 14). This case is currently before the Court.

On August 15, 2019, the CRTC issued an order to finalize the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 had been invoiced to resellers and accounted for in the Corporation’s consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, and (ii) to achieve a targeted balance of fixed- and floating-rate debt. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

(a) Description of derivative financial instruments

(i) Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.2578	$ 177.4	US$ 141.0

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(a) Description of derivative financial instruments (continued)

(ii) Cross-currency swaps

Hedged item	Hedging instrument				
	Period covered		Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
5.750% Senior Notes due 2023	2016 to 2023	US$	431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$	418.7	6.85%	0.9759
Videotron					
5.375% Senior Notes due 2024	2014 to 2024	US$	158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$	441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$	600.0	4.82%	1.3407
3.625% Senior Notes due 2029	2021 to 2029	US$	500.0	4.04%	1.2109

Certain cross-currency swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(b) Fair value of financial instruments

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy, which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option-pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2021 and 2020 are as follows:

		2021		2020
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,554.0)**	**$ (6,660.4)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(139.5)**	**(139.5)**	(153.5)	(153.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**0.9**	**0.9**	(8.0)	(8.0)
Cross-currency swaps	**381.4**	**381.4**	605.1	605.1

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The net fair value of derivative financial instruments designated as cash flow hedges is an asset position of $348.1 million as of December 31, 2021 ($552.5 million in 2020) and the net fair value of derivative financial instruments designated as fair value hedges is an asset position of $34.2 million as of December 31, 2021 ($44.6 million in 2020).

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The gross carrying amounts of financial assets represent the maximum credit exposure. As of December 31, 2021, the gross carrying amount of trade receivables and contract assets, including their long-term portions, was $913.4 million ($790.2 million as of December 31, 2020).

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. The Corporation uses its customers' historical terms of payment and acceptable collection periods for each customer class, as well as changes in its customers' credit profiles, to define default to collect amounts receivable from customers, including contract assets.

As of December 31, 2021, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions. As of December 31, 2021, the provision for expected credit losses represented 2.0% of the gross amount of trade receivables and contract assets (2.6% as of December 31, 2020), while 6.9% of trade receivables were 90 days past their billing date (5.0% as of December 31, 2020).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2021 and 2020:

		2021		2020
Balance at beginning of year	**$**	**20.8**	$	19.6
Changes in expected credit losses charged to income		**17.2**		17.4
Write-off		**(19.5)**		(16.2)
Balance at end of year	**$**	**18.5**	$	20.8

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

(d) Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2021 (4.3 years as of December 31, 2020).

The Corporation's management believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases and dividends to shareholders. The Corporation has access to cash flows generated by its subsidiaries through dividends (or distributions) paid by Quebecor Media.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk management (continued)

As of December 31, 2021, material contractual obligations related to financial instruments included capital repayment and interest on long-term debt, on convertible debentures and on lease liabilities, and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. These obligations and their maturities are as follows:

	Total	Less than 1 year	1-3 years	3-5 years	5 years or more
Accounts payable and accrued charges	**$ 847.9**	$ 847.9	$ –	$ –	$ –
Long-term debt[1]	**6,554.0**	56.5	2,132.4	775.0	3,590.1
Convertible debentures[2]	**150.0**	–	150.0	–	–
Interest payments on long-term debt and convertible debentures[3]	**1,375.7**	254.1	453.3	338.5	329.8
Lease liabilities	**183.2**	36.1	59.4	28.8	58.9
Interest payments on lease liabilities	**43.9**	7.3	10.5	7.0	19.1
Derivative financial instruments[4]	**(332.8)**	1.6	(354.2)	–	19.8
Total	**$ 8,821.9**	**$ 1,203.5**	**$ 2,451.4**	**$ 1,149.3**	**$ 4,017.7**

[1] The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

[2] Based on the market value at December 31, 2021 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Class B share at that date, subject to a floor price of approximately $25.49 per share and a ceiling price of approximately $31.87. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

[3] Estimate of interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2021.

[4] Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt.

(e) Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2021, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(e) Market risk (continued)

Foreign currency risk (continued)

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2021 is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of $0.10	**$**	**0.7**	**$**	**35.1**
Decrease of $0.10		**(0.7)**		**(35.1)**

A variance of $0.10 in the 2021 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $8.8 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2021.

A variance of 10% in the exchange rate of CAN dollar per one Turkish Lira as of December 31, 2021 would have resulted in a variance of $3.2 million of the loss on translation of investments in foreign associates in the consolidated statements of comprehensive income.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency swap agreements in order to manage cash flow risk exposure. As of December 31, 2021, after taking into account the hedging instruments, long-term debt was comprised of 91.7% fixed-rate debt (96.1% in 2020) and 8.3% floating-rate debt (3.9% in 2020).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2021 was $5.2 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 22), as of December 31, 2021, as per the Corporation's valuation models, is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of 100 basis points	**$**	**(0.7)**	**$**	**(5.2)**
Decrease of 100 basis points		**0.7**		**5.2**

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(f) Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2021 and 2020 is as follows:

	2021	2020
Bank indebtedness	**$ –**	$ 1.7
Long-term debt	**6,524.4**	5,773.4
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**(8.4)**	6.5
Lease liabilities	**183.2**	173.3
Derivative financial instruments	**(382.3)**	(597.1)
Cash and cash equivalents	**(64.7)**	(136.7)
Net liabilities	**6,402.2**	5,371.1
Equity	**$ 1,378.8**	$ 1,214.1

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, and the declaration and payment of dividends or other distributions.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

30. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

Key management personnel comprises members of the Board of Directors and key senior managers of the Corporation and its main subsidiaries. Their compensation is as follows:

	2021	2020
Salaries and short-term benefits	**$ 10.0**	$ 8.9
Share-based compensation	**(0.8)**	1.6
Termination and other long-term benefits	**2.8**	0.8
	$ 12.0	$ 11.3

Operating transactions

During the year ended December 31, 2021, the Corporation incurred expenses with affiliated corporations in the amount of $13.3 million ($12.6 million in 2020), which are included in purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of $4.6 million (none in 2020). The Corporation made sales to affiliated corporations in the amount of $7.8 million in 2021 ($3.7 million in 2020). These transactions were accounted for at the consideration agreed between parties.

31. PENSION PLANS AND POSTRETIREMENT BENEFITS

The Corporation maintains various flat-benefit plans, final-pay plans with indexation features from zero to 2%, as well as defined contribution plans. The Corporation also provides postretirement benefits to eligible retired employees. The Corporation's pension plans are registered with a provincial or federal regulatory authority.

The Corporation's funding policy for its funded pension plans is to maintain its contribution at a level sufficient to cover benefits and to meet requirements of the applicable regulations and plan provisions that govern the funding of the plans. These provisions establish, among others, the future amortization payments when the funding ratio of the pension plans is insufficient as defined by the relevant provincial and federal laws. Payments are determined by an actuarial report performed by an independent company at least every three years or annually, according to the applicable laws and in accordance with plan provisions.

By their design, the defined benefit plans expose the Corporation to the typical risks faced by defined benefit plans, such as investment performance, changes to the discount rates used to value the obligation, longevity of plan participants, and future inflation. The administration of the plans is assured by pension committees composed of members of the plans, members of the Corporation's management and independent members or by the Corporation, in accordance with the provisions of each plan. Under the Corporation's rules of governance, the approval and oversight of the defined benefit plan policies are performed at different levels through the pension committees, the Corporation's management, or the Audit and Risk Management Committee. The risk management of pension plans is also performed under the leadership of these committees at various levels. The custody of securities and management of security transactions are assigned to trustees within a mandate given by the pension committees or the Corporation, as the case may be. Policies include those on investment objectives, risk-mitigation strategies and the mandate to hire investment fund managers and monitor their work and performance. The defined benefit pension plans are monitored on an ongoing basis to assess the benefit, funding and investment policies, financial status, and the Corporation's funding requirement.

QUEBECOR INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

The following tables show a reconciliation of the changes in the plans' benefit obligations and the fair value of plan assets for the years ended December 31, 2021 and 2020:

	Pension benefits		Postretirement benefits	
	2021	2020	**2021**	2020
Change in benefit obligations				
Benefit obligations at the beginning of the year	**$ 1,680.8**	$ 1,492.7	**$ 70.1**	$ 62.9
Service costs	**40.1**	37.4	**2.0**	1.9
Interest costs	**43.6**	47.1	**1.8**	1.9
Plan participants' contributions	**9.1**	10.5	**–**	–
Actuarial (gain) loss arising from:				
Financial assumptions	**(139.4)**	159.5	**(7.2)**	8.2
Demographic assumptions	**12.5**	–	**–**	–
Participant experience	**4.5**	(2.7)	**–**	–
Benefits and settlements paid	**(70.9)**	(64.4)	**(1.6)**	(1.7)
Plan amendments and other	**1.0**	0.7	**(3.8)**	(3.1)
Benefit obligations at the end of the year	**$ 1,581.3**	$ 1,680.8	**$ 61.3**	$ 70.1
Change in plan assets				
Fair value of plan assets at the beginning of the year	**$ 1,440.0**	$ 1,345.8	**$ –**	$ –
Actual return on plan assets	**107.7**	122.9	**–**	–
Employer contributions	**38.2**	27.6	**1.6**	1.7
Plan participants' contributions	**9.1**	10.5	**–**	–
Benefits and settlements paid	**(70.9)**	(64.4)	**(1.6)**	(1.7)
Administrative fees	**(2.1)**	(2.4)	**–**	–
Fair value of plan assets at the end of the year	**$ 1,522.0**	$ 1,440.0	**$ –**	$ –

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

As of December 31, 2021, the weighted average duration of defined benefit obligations was 15.5 years (16.1 years in 2020). The Corporation expects future benefit payments of $66.8 million in 2022.

The investment strategy for plan assets takes into account a number of factors, including the time horizon of the pension plans' obligations and the investment risk. For each of the plans, an allocation range by asset class is developed, whereby a mix of asset classes is used to optimize the risk-return profile of plan assets and to mitigate asset-liability mismatch.

Plan assets are comprised of:

	2021	2020
Equity securities:		
Canadian	**15.7 %**	15.4 %
Foreign	**25.9**	24.8
Debt securities	**53.1**	55.7
Other	**5.3**	4.1
	100.0 %	100.0 %

The fair value of securities is based on quoted prices in an active market, while the fair value of other investments is not based on quoted prices in an active market.

Where funded plans have a net defined benefit asset, the Corporation determines if potential reductions in future contributions are permitted by applicable regulations and by collective bargaining agreements. When a defined benefit asset is created, it cannot exceed the future economic benefit that the Corporation can expect to obtain from the asset. The future economic benefit represents the value of reductions in future contributions and expenses payable to the pension fund. It does not reflect gains that could be generated in the future that would allow reductions in contributions by the Corporation. When there is a minimum funding requirement, this could also limit the amounts recognized on the balance sheet. A minimum funding requirement represents the present value of amortization payments based on the most recent actuarial financing reports filed.

The reconciliation of funded status to the net amount recognized on the consolidated balance sheets is as follows:

	Pension benefits		**Postretirement benefits**	
	2021	2020	**2021**	2020
Benefit obligations	**$ (1,581.3)**	$ (1,680.8)	**$ (61.3)**	$ (70.1)
Fair value of plan assets	**1,522.0**	1,440.0	**–**	–
Plan deficit	**(59.3)**	(240.8)	**(61.3)**	(70.1)
Asset limit and minimum funding adjustment	**(24.2)**	(12.9)	**–**	–
Net amount recognized[1]	**$ (83.5)**	$ (253.7)	**$ (61.3)**	$ (70.1)

[1] The net liability recognized for 2021 is $144.8 million ($323.8 million in 2020), of which an amount of $166.1 million ($323.8 million in 2020) is included in "Other liabilities" and $21.3 million (none in 2020) is included in "Other assets".

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Components of re-measurements are as follows:

	Pension benefits		Postretirement benefits	
	2021	2020	**2021**	2020
Actuarial gain (loss) on benefit obligations	**$ 122.4**	$ (156.8)	**$ 7.2**	$ (8.2)
Actual return on plan assets, less interest income anticipated in the interest on the net defined benefit liability calculation	**70.9**	81.1	**–**	–
Asset limit and minimum funding adjustment	**(11.0)**	(0.8)	**–**	–
Re-measurement gain (loss) recorded in other comprehensive income (loss)	**$ 182.3**	$ (76.5)	**$ 7.2**	$ (8.2)

Components of the net benefit costs are as follows:

	Pension benefits		Postretirement benefits	
	2021	2020	**2021**	2020
Employee costs:				
Service costs	**$ 40.1**	$ 37.4	**$ 2.0**	$ 1.9
Plan amendments, administrative fees and other	**3.1**	4.4	**–**	(3.2)
Interest on net defined benefit liability	**7.0**	5.7	**1.8**	1.9
Net benefit costs	**$ 50.2**	$ 47.5	**$ 3.8**	$ 0.6

The expense related to defined contribution pension plans amounted to $21.5 million in 2021 ($20.1 million in 2020).

The expected employer contributions to the Corporation's defined benefit pension plans and postretirement benefit plans will be $38.2 million in 2022, based on the most recent financial actuarial reports filed (contributions of $39.8 million were paid in 2021).

QUEBECOR INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years ended December 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)

31. PENSION PLANS AND POSTRETIREMENT BENEFITS (continued)

Assumptions

The Corporation determines its assumption for the discount rate to be used for purposes of computing annual service and interest costs based on an index of high-quality corporate bond yield and matched-funding yield curve analysis as of the measurement date.

The actuarial assumptions used in measuring the Corporation's benefit obligations as of December 31, 2021 and 2020 and current periodic benefit costs are as follows:

	Pension and postretirement benefits	
	2021	2020
Benefit obligations		
Rates as of year-end:		
Discount rate	**3.00 %**	2.50 %
Rate of compensation increase	**3.00**	3.00
Current periodic costs		
Rates as of preceding year-end:		
Discount rate	**2.50 %**	3.10 %
Rate of compensation increase	**3.00**	3.00

The assumed average retirement age of participants used ranged from 59 to 62 years.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations was 7.30% at the end of 2021. These costs, as per the estimate, are expected to decrease gradually over the next five years to 5.30% and to remain at that level thereafter.

Sensitivity analysis

An increase of 10 basis points in the discount rate would have decreased the pension benefit obligation by $22.9 million and the postretirement benefit obligation by $1.5 million as of December 31, 2021. There are limitations to this sensitivity analysis since it only considers the impacts of an increase of 10 basis points in the discount rate assumption without changing any other assumptions. No sensitivity analysis was performed on other assumptions as a similar change to those assumptions would not have a significant impact on the consolidated financial statements.

32. DISCONTINUED OPERATIONS

In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions to the sale price were achieved in connection with the 4Degrees Colocation Inc. data centre operations sold in 2019 by Videotron.

This is Exhibit 52 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. ("Quebecor" or "the Corporation") is a holding company with a 75.4% interest in Quebecor Media Inc. ("Quebecor Media"), one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment.

During the third quarter of 2014, the Corporation changed its organizational structure and its operations are now managed through the following three segments: Telecommunications, Media, and Sports and Entertainment. The reorganization consisted in (a) the creation of the new Media segment, which includes all activities of the previous News Media and Broadcasting segments, as well as the book publishing and distribution activities previously included in the Leisure and Entertainment segment, (b) the creation of the new Sports and Entertainment segment, which includes all operating, production, distribution and management activities of the previous Leisure and Entertainment segment relating to music, entertainment, sports and the future Québec City Arena ("the Arena"), and (c) the transfer of the retail businesses from the previous Leisure and Entertainment segment to the Telecommunications segment. Accordingly, prior period figures in the Corporation's segmented information have been reclassified to reflect these changes.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian media corporation engaged in cable and mobile telecommunications; newspaper publishing and distribution; Internet portals and specialized websites; broadcasting; studio, soundstage and equipment leasing, post-production, visual effects and 3D animation; retailing, publishing and distribution of books and magazines; rental and distribution of video games and game consoles; music recording, production, distribution and retailing; music streaming services; production of shows and events; video game development; out of home advertising; two Quebec Major Junior Hockey League ("QMJHL") teams and sporting and cultural events management. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier cable and mobile communications service provider. Quebecor Media holds leading positions in the creation, promotion and distribution of news, entertainment and Internet-related services that are designed to appeal to audiences in every demographic category. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

All amounts are stated in Canadian dollars ("CAN dollars") unless otherwise indicated.

The Corporation adopted International Financial Reporting Standards ("IFRS") for the presentation of its financial statements on January 1, 2011. As explained under "Changes in Accounting Policies" below, the Corporation has adopted retrospectively a new accounting policy for the accounting of its convertible debentures. Comparative figures for prior years have been restated.

DISCONTINUED OPERATIONS

On October 6, 2014, Quebecor Media announced the sale of its English-language newspaper businesses in Canada – 175 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a cash consideration of $316.0 million. The transaction will be paid in cash, subject to certain adjustments, including a $10.0 million adjustment with respect to real estate holdings disposed of by Quebecor Media after the transaction date. The transaction is subject to Competition Bureau authorization. While the sale is under review by the Bureau, Quebecor Media will continue operating the businesses in question. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. ("Nurun") subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million, less disposed-of cash in the amount of $18.1 million. An amount of $8.2 million was also received in connection with certain adjustments as part of the transaction. The results of operations and cash flows related to that business, as well as the $41.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2014, Quebecor Media finalized the sale of 74 Québec weeklies to Transcontinental Interactive Inc., ("Transcontinental Interactive"), a subsidiary of Transcontinental Inc. ("Transcontinental"), for a cash consideration of $75.0 million. $4.7 million was also received in 2014 in connection with certain adjustments to transferred working capital items. The transaction has been authorized by the competent regulatory authorities, specifically the Competition Bureau. The results of operations and cash flows related to those businesses, as well as the $7.9 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2013, Quebecor Media sold its specialized website *Jobboom* for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, it sold its specialized website *Réseau Contact* for a cash consideration of $7.1 million, net of disposed-of cash in the amount of $0.4 million. The operating results and cash flows related to those businesses, as well as the $37.6 million gain on the sale of the two websites, were reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor are included in the analysis of segmented operating results.

HIGHLIGHTS SINCE END OF 2013

- Quebecor's sales totalled $3.72 billion in 2014, an increase of $68.6 million (1.9%) compared with 2013.
- Since the end of 2013, Quebecor has announced major management changes at the Corporation and its subsidiaries.
  - On April 28, 2014, Pierre Dion was appointed President and Chief Executive Officer of Quebecor and Quebecor Media. On May 7, 2014, Manon Brouillette was named President and Chief Executive Officer of Videotron.
  - On June 19, 2014, at Quebecor's Annual Meeting of Shareholders, the Right Honourable Brian Mulroney was named Chairman of the Board of Quebecor and Quebecor Media, succeeding Pierre Karl Péladeau, who resigned all his positions on the Boards of Directors of Quebecor and its subsidiaries on March 9, 2014, following his decision to enter politics. On March 10, 2014, Sylvie Lalande was appointed Chairperson of the Board of TVA Group Inc. ("TVA Group").
  - On July 30, 2014, Benoît Robert was appointed President and Chief Executive Officer of Sports and Entertainment Group.
  - On July 31, 2014, Quebecor created Media Group, a new segment dedicated to entertainment and news media. Media Group includes the operations of TVA Group, Sun Media Corporation, QMI Agency, Quebecor Media Out of Home, Quebecor Media Sales, Messageries Dynamiques, Quebecor Media Printing Inc., Sogides Group Inc., CEC Publishing Inc. ("CEC Publishing") and Readbooks S.A.S. ("Readbooks"). Julie Tremblay was appointed President and Chief Executive Officer of the new segment. She also serves as President and Chief Executive Officer of TVA Group.

<u>Telecommunications</u>

- In 2014, the Telecommunications segment grew its revenues by $104.5 million (3.7%) and its adjusted operating income by $60.7 million (4.7%).
- Videotron recorded strong revenue increases at two of its services in 2014: mobile telephony ($67.0 million or 30.4%) and Internet access ($49.9 million or 6.1%).
- Net increase of 117,700 revenue-generating units[1] (2.3%) in 2014.
- Net increase of 128,500 subscriber connections for the mobile telephone service, the largest annual increase since 2011.
- On March 11, 2015, Videotron Ltd. ("Videotron") announced the acquisition of 4Degrees Colocation and its data centre, the largest in Québec City, for a cash consideration of $31.5 million, which may increase to $35.5 million if certain criteria are satisfied. The acquisition will enable Videotron to meet its business customers' growing technological and hosting needs.
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group, and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell, to pay compensation totalling $137.0 million for having deliberately neglected to implement an appropriate security system to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005. The judgment stated that Bell ExpressVu knew and must have foreseen that this practice would cause serious harm to its competitors, including Videotron, its main rival in Québec.
- On March 6, 2015, Quebecor Media announced that its Videotron subsidiary was the successful bidder for four 30 MHz licences in Industry Canada's auction for AWS-3 commercial mobile spectrum. Quebecor Media obtained the licences for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario / Outaouais, covering 100% of Québec's population and the Ottawa area, for a total price of $31.8 million.
- On September 10, 2014, Videotron launched its LTE mobile network ("LTE network"), which reaches nearly 90% of

[1] The sum of cable television and cable Internet access subscriptions, cable telephone lines and subscriber connections to the mobile telephony service.

Québec's population and supports speeds of up to 150 mbps, enabling Québec consumers and business people to use their mobile devices to their full potential.

- On August 27, 2014, Videotron launched the new X8 multi-room HD recorder, designed to deliver the best entertainment experience on the market. With a 2 TB storage capacity and state-of-the-art functionalities, the X8 multi-room HD recorder can record up to 8 television shows simultaneously.
- On March 28, 2014, Apple products were added to the extensive selection of mobile devices Videotron offers its customers. Subsequently, Videotron launched new illico apps for iPhone (4, 5C, 5S, 6) and iPad. The free apps, featuring customizable, intuitive user interfaces, make thousands of hours of French- and English-language programming from some 50 television channels available to subscribers to Videotron's cable television service.
- On April 3, 2014, after the final instalment was paid on the spectrum won in the auction ended February 19, 2014, Industry Canada issued seven 700 MHz licences to Videotron. The operating licences, acquired for $233.3 million, cover the entire provinces of Québec, Ontario (except Northern Ontario), Alberta and British Columbia. They make it possible to reach approximately 80% of Canada's population, more than 28 million people.

Media

- In December 2014, TVA Group closed the acquisition of substantially all of the assets of A.R. Global Vision Ltd. and its subsidiary ("Global Vision"), a Canadian provider of film- and television-related services, for a cash consideration of $116.1 million, subject to certain adjustments. Global Vision offers studio, soundstage and equipment leasing and post-production services. Its properties include the Mel's La Cité du cinéma studios in Montréal and the Melrose studio in Saint-Hubert, which are used for both local and foreign film and television productions. On December 30, 2014, TVA Group obtained Competition Bureau authorization of the transaction.
- On November 17, 2014, TVA Group reached an agreement with Transcontinental to acquire 15 magazines for a cash consideration of $55.5 million. The transaction was authorized by the Competition Bureau on March 2, 2015. Upon closing, TVA Group will become sole owner of 11 of the acquired titles: *Coup de pouce*, *Canadian Living*, *Véro Magazine*, *Décormag*, *Style at Home*, *Fleurs Plantes Jardins*, *Canadian Gardening*, *Québec Vert*, *The Hockey News*, *MaisonNeuves.com*, *Condo Maison Direct* and the *recettes.qc.ca*, *Quoi manger* and *On the table* websites. TVA Group will also hold a 51% effective interest in Les Publications Transcontinental-Hearst inc., which operates the magazines *Elle Canada* and *Elle Québec*. As well, TVA Group will hold 50% of the shares of Publications Senior inc., which publishes *Le Bel Âge* and *Good Times* magazines.
- During the September 1 to December 7, 2014 period, TVA Group and its specialty channels had a total television audience market share of 33.2% in Québec, compared with 31.6% during the previous year (source: Numeris, Fall 2014). TVA Network held its status as the market leader with a 23.9% market share, more than its main over-the-air rivals combined. Due in part to the success of TVA Sports, TVA Group's specialty channels passed the 10-million-subscriber mark in the fall of 2014.
- On October 8, 2014, TVA Sports drew an average audience of 925,000 television viewers and a 25.5% market share for the Montréal Canadiens' season opener. Since TVA Sports began carrying National Hockey League ("NHL") hockey, its subscriber base has swelled to 2.0 million. As previously reported, on July 1, 2014, TVA Sports became the NHL's official French-language broadcaster for the next 12 years. During the 2014-2015 season, TVA Sports will broadcast more than 275 NHL games, among them all Canadiens Saturday night games and all playoff games, including Canadiens games and the Stanley Cup final.
- The second season of *La Voix* achieved exceptional ratings throughout its run from January 19 to April 13, 2014. The weekly gala attracted an average audience of more than 2.6 million and an average market share of 56.9%. The creation of value-added multiplatform content around this high-quality television program illustrates Quebecor's successful convergence strategy, which benefits all its media properties.
- Since August 1, 2014, Quebecor Media has been responsible for installing, maintaining, managing and advertising on Société de transport de Laval bus shelters under a 20-year agreement. Quebecor Media made a similar agreement with the Société de transport de Montréal in 2012.

- In 2014, the Corporation performed impairment tests on its Newspapers and Broadcasting cash generating units ("CGUs"), which continue to be impacted by the shift toward digital and by challenging market conditions in the print media and television industries. Accordingly, a $199.3 million non-cash goodwill impairment charge (without any tax consequences), including $160.0 million presented under discontinued operations, and a $41.7 million non-cash impairment charge (including $20.9 million without any tax consequences) on broadcasting licences were recorded.

Sports and Entertainment

- On February 3, 2015, Quebecor Media announced a strategic partnership with Live Nation Entertainment, including an alliance with Live Nation Concerts, the global market leader in concert production, and the Ticketmaster ticketing service, which operates in Québec under the name Réseau Admission. On the same date, Quebecor Media formed a strategic partnership with Levy Restaurants for management of food service operations at the Arena.

- On November 27, 2014, Quebecor Media acquired the Remparts de Québec, a QMJHL team. The team plans to move into the Arena in September 2015.

Financing

The following financial operations were carried out in 2014 and the beginning of 2015.

- On April 9, 2014, Videotron issued US$600.0 million aggregate principal amount of 5.375% Senior Notes maturing on June 15, 2024, for net proceeds of $654.5 million, net of financing fees of $7.8 million. Strong demand enabled Videotron to upsize the offering with favorable pricing, which clearly demonstrates the strength of its business and credit profile. Videotron fully hedged the exchange risk on the new Senior Notes by means of cross-currency interest rate swaps. It also converted the fixed interest rate on a US$158.6 million tranche of its Senior Notes to a floating rate.
- Videotron used the proceeds from the April 9, 2014 issuance of Senior Notes to prepay and withdraw, on April 24, 2014, US$260 million principal amount of its outstanding 9.125% Senior Notes, issued on March 5, 2009 and maturing on April 15, 2018, to repay drawings under its revolving credit facility, to pay transaction fees and expenses, and for general corporate purposes.
- On April 25, 2014, Quebecor Media completed the redemption and early repayment of all of its outstanding 7.75% Senior Notes in the aggregate principal amount of US$380.0 million, issued on October 5, 2007 and maturing on March 15, 2016, and settled the related hedges.
- On November 3, 2014, TVA Group modified the terms and conditions of its bank credit facilities to increase the size of its revolving credit facility from $100.0 million to $150.0 million; to extend their term by two years until February 24, 2019; and to replace the existing $75.0 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount maturing on November 3, 2019. TVA Group also amended some terms and conditions to increase its financial flexibility. Accordingly, TVA Group granted a security on all of its movable assets and an immovable hypothec on its Head Office building.
- On February 4, 2015, TVA Group filed a final simplified prospectus with securities regulatory authorities in each of Canada's 10 provinces regarding a proposed Rights Offering, in which all holders of outstanding Class A common shares, voting, participating, without par value of TVA Group ("Class A Shares of TVA Group") and Class B Shares, non-voting, participating, without par value of TVA Group ("Class B Non-Voting Shares of TVA Group") received on February 18, 2015 rights to subscribe for TVA Group Class B Non-Voting Shares for aggregate gross proceeds of approximately $110.0 million (the "Rights Offering"). The final simplified prospectus and relevant documents were sent on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering should be on or about March 20, 2015. Pursuant to a standby commitment agreement with TVA Group, Quebecor Media has provided a standby commitment whereby it will be required to acquire all Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base, and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure upgrade, as well as costs relating to advancements in Internet access and high definition television. In addition, the demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, as available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, newspaper circulation, measured in terms of copies sold, has been generally declining in the industry over the past several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategy toward other media. In order to respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including French-language portals and specialized sites.

The broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video-on-demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

INTEREST IN SUBSIDIARIES

As of December 31, 2014, Quebecor held a 75.4% interest in Quebecor Media. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at that date.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2014

	Percentage of vote	**Percentage of equity**
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	51.5
Sun Media Corporation	100.0	100.0
Quebecor Media Printing Inc.	100.0	100.0
Archambault Group Inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years.

On June 30, 2012, Sun Media Corporation bought a 2% interest in SUN News General Partnership ("SUN News") from TVA Group, bringing its interest to 51%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operations, cash flows from segment operations, free cash flows from continuing operating activities of the Quebecor Media subsidiary, and average monthly revenue per user ("ARPU"), are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net (loss) income under IFRS, as net (loss) income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, charge for impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and (loss) income from discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments.

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below provides a reconciliation of adjusted operating income to net (loss) income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2014 and 2013 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net (loss) income measure used in the consolidated financial statements
(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2014	2013	**2014**	2013
Adjusted operating (loss) income:				
Telecommunications	**$ 1,354.9**	$ 1,294.2	**$ 348.6**	$ 328.7
Media	**46.5**	84.0	**9.1**	31.6
Sports and Entertainment	**(3.4)**	(1.1)	**0.6**	0.8
Head Office	**0.9**	(7.0)	**(5.2)**	(4.7)
	1,398.9	1,370.1	**353.1**	356.4
Depreciation and amortization	**(667.0)**	(630.7)	**(174.6)**	(163.9)
Financial expenses	**(350.7)**	(388.3)	**(84.4)**	(93.8)
Loss on valuation and translation of financial instruments	**(94.7)**	(384.4)	**(93.2)**	(70.2)
Restructuring of operations, impairment of assets and other special items	**(54.4)**	(11.6)	**(47.7)**	(2.8)
Impairment of goodwill and intangible assets	**(81.0)**	(35.3)	**–**	**–**
Loss on debt refinancing	**(18.7)**	(18.9)	**–**	–
Income taxes	**(91.3)**	(27.8)	**(22.9)**	(20.6)
(Loss) Income from discontinued operations	**(65.5)**	(193.8)	**19.4**	14.3
Net (loss) income	**$ (24.4)**	$ (320.7)	**$ (50.3)**	$ 19.4

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net (loss) income attributable to shareholders under IFRS, as net (loss) income attributable to shareholders before loss on valuation and translation of financial instruments, charge for restructuring of operations, impairment of assets and other special items, impairment of goodwill and intangible assets, loss on debt refinancing, net of income tax related to adjustments and net loss attributable to non-controlling interests related to adjustments, before (loss) income from discontinued operations attributable to shareholders. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operations to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operations is more representative for the purpose of forecasting income. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operations to net (loss) income attributable to shareholders used in Quebecor's consolidated financial statements.

Table 3
Reconciliation of the adjusted income from continuing operations measure used in this report to the net (loss) income attributable to shareholders measure used in the consolidated financial statements
(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2014	2013	**2014**	2013
Adjusted income from continuing operations	**$ 202.3**	$ 177.3	**$ 50.3**	$ 48.6
Loss on valuation and translation of financial instruments	**(94.7)**	(384.4)	**(93.2)**	(70.2)
Restructuring of operations, impairment of assets and other special items	**(54.4)**	(11.6)	**(47.7)**	(2.8)
Impairment of goodwill and intangible assets	**(81.0)**	(35.3)	**–**	–
Loss on debt refinancing	**(18.7)**	(18.9)	**–**	–
Income taxes related to adjustments[1]	**17.1**	70.0	**2.9**	6.4
Net income attributable to non-controlling interest related to adjustments	**48.6**	60.4	**13.5**	7.5
Discontinued operations	**(49.3)**	(146.1)	**14.7**	10.8
Net (loss) income attributable to shareholders	**$ (30.1)**	$ (288.6)	**$ (59.5)**	$ 0.3

1 Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free Cash Flows from Continuing Operating Activities of the Quebecor Media Subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for license acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, the payment of dividends, and the repayment of long-term debt. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Average Monthly Revenue per User

ARPU is an industry metric that the Corporation uses to measure its monthly cable television, Internet access, cable and mobile telephony revenues per average basic cable customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined cable television, Internet access, and cable and mobile telephony revenues by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2014/2013 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.72 billion, a $68.6 million (1.9%) increase.

- Revenues increased in Telecommunications ($104.5 million or 3.7% of segment revenues).
- Revenues decreased in Media ($20.6 million or -2.5%) and Sports & Entertainment ($9.3 million or -13.2%).

Adjusted operating income: $1.40 billion, a $28.8 million (2.1%) increase.

- Adjusted operating income increased in Telecommunications ($60.7 million or 4.7% of segment adjusted operating income) and Head Office ($7.9 million). The increase at Head Office was mainly due to the favourable variance in the fair value of stock options.
- Adjusted operating income decreased in Media ($37.5 million or -44.6%) and Sports and Entertainment ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.5 million unfavourable variance in the stock-based compensation charge in 2014 compared with 2013. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $20.8 million favourable variance in the Corporation's stock-based compensation charge in 2014.

Net loss attributable to shareholders: $30.1 million ($0.24 per basic share) in 2014, compared with $288.6 million ($2.33 per basic share) in 2013, a favourable variance of $258.5 million ($2.09 per basic share).

- The favourable variance was due primarily to:
  - $289.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including a $48.4 million favourable variance in convertible debentures, without any tax consequences;
  - $128.3 million favourable variance in losses from discontinued operations;
  - $37.6 million decrease in financial expenses;
  - $28.8 million increase in adjusted operating income.

  Partially offset by:

  - $45.7 million unfavourable variance in non-cash charge for impairment of goodwill and intangible assets (including $19.5 million without any tax consequences), minus related non-controlling interest;
  - $42.8 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items (including $34.3 million without any tax consequences);
  - $36.3 million increase in the depreciation and amortization charge.

Adjusted income from continuing operations: $202.3 million ($1.64 per basic share) in 2014, compared with $177.3 million ($1.43 per basic share) in 2013, an increase of $25.0 million ($0.21 per basic share).

Depreciation and amortization charge: $667.0 million in 2014, a $36.3 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, to investments in the LTE network, and to modernization and expansion of the wired and wireless networks.

Financial expenses: $350.7 million, a $37.6 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $94.7 million in 2014 compared with $384.4 million in 2013. The $289.7 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, to the $48.4 million decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, and to losses on reversal of embedded derivatives recognized in 2013 in connection with debt redemption.

Charge for restructuring of operations, impairment of assets and other special items: $54.4 million in 2014, compared with $11.6 million in 2013, an unfavourable variance of $42.8 million.

- In 2014, the Telecommunications segment recorded a $3.3 million restructuring charge ($1.8 million in 2013) and a $3.4 million impairment charge on assets. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.
- In 2014, a $6.5 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($6.7 million in 2013). In connection with those initiatives, a $0.1 million loss on disposal of assets was recognized in 2014 ($0.1 million gain in 2013) and a $2.1 million impairment charge on certain assets was also recognized in 2013. In 2014, the Media segment also recognized a $3.3 million asset impairment charge on its broadcasting assets and a $2.6 million other special charge, primarily attributable to business acquisitions.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $0.9 million in 2014 ($1.1 million in 2013).

Charge for impairment of goodwill and intangible assets: $81.0 million in 2014, compared with $35.3 million in the same period of 2013, an unfavourable variance of $45.7 million.

- In the second quarter of 2014, the Corporation performed annual impairment tests on its CGUs. It concluded that the recoverable amount based on fair value less disposal costs was less than the carrying amount of its Newspapers CGU, which continues to be affected by the shift to digital and challenging market conditions in the newspaper industry. Accordingly, the Media segment recorded a $30.0 million non-cash goodwill impairment charge, without any tax consequences.
- In the third quarter of 2014, the Corporation completed its annual review of its three-year strategic plan. In view of market conditions in the television industry, the Corporation performed an impairment test on its Broadcasting CGU. The Corporation concluded that the recoverable amount, based on fair value less disposal costs, was less than the carrying amount of this CGU. Accordingly, a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences) and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) were recorded.
- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers, Books and Music CGUs. Accordingly, the following impairment charges were recorded:
    - the Media segment recognized a $14.5 million non-cash goodwill impairment charge, without any tax consequences, in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge, without any tax consequences, in its Books CGU;
    - Quebecor Media recorded an $8.9 million non-cash goodwill impairment charges without any tax consequences in its Music CGU.

Loss on debt refinancing: $18.7 million in 2014 compared with $18.9 million in 2013.

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018 at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in "Other comprehensive income."
- On June 3, 2013, Videotron issued a notice for the redemption, on July 2, 2013, of US$380.0 million aggregate principal amount of its issued and outstanding 9.125% Senior Notes due in April 2018 at a redemption price of 104.563% of their principal amount, and settled the related hedges. As a result, a total $18.9 million loss was recorded in the consolidated statement of income in the second quarter of 2013, including a $6.5 million gain previously recorded in "Other comprehensive income."

Income tax expense: $91.3 million (effective tax rate of 29.2%) in 2014 compared with $27.8 million (effective tax rate of 36.5%) in 2013, a $63.5 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the impact of the increase in taxable income.
- The variance in the effective tax rates was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments, and losses on debt refinancing.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,777,300 homes and businesses. In addition to analog cable television and digital cable television ("illico Digital TV") services, Videotron offers Internet access, cable telephony and advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The Corporation's operations in the Telecommunications segment also include retail sales of CDs, books, DVDs, Blu-ray discs, musical instruments, games and toys, video games, gift ideas and magazines through the chain of stores operated by Archambault Group Inc. ("Archambault Group") and the *archambault.ca* e-commerce site, as well as online sales of downloadable music and books.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2014 operating results

Revenues: $2.97 billion, a $104.5 million (3.7%) increase.

- Combined revenues from all cable television services decreased $15.5 million (-1.4%) to $1.08 billion, due primarily to the impact of the net decrease in the customer base and the decrease in video-on-demand, pay-per-view and pay TV orders, partially offset by higher revenues from the leasing of digital set-top boxes and higher per-subscriber revenues.
- Revenues from Internet access services increased $49.9 million (6.1%) to $868.3 million. The favourable variance was mainly due to increased usage, higher revenues from Internet access resellers, customer base growth, and higher per-subscriber revenues.
- Revenues from the cable telephony service increased $1.3 million (0.3%) to $475.1 million, primarily as a result of increases in per-subscriber revenues and in the number of business lines, partially offset by a decrease in long-distance revenues.
- Revenues from mobile telephony service increased $67.0 million (30.4%) to $287.7 million, essentially due to customer growth.
- Revenues of Videotron Business Solutions increased $2.1 million (3.3%) to $65.6 million.
- Revenues from customer equipment sales increased $9.1 million (24.9%) to $45.6 million, mainly because of the growth in the number of subscriber connections to the mobile service and increased sales of more powerful equipment.
- Revenues from retail sales decreased by $10.8 million (-7.2%) to $138.3 million because of decreased sales at Archambault Group stores, including lower sales of videos, CDs and books, and lower revenues at Le SuperClub Vidéotron, including lower franchise fees and store closings.
- Other revenues increased $0.9 million (10.3%) to $9.6 million.

ARPU: $125.16 in 2014 compared with $118.03 in 2013, an increase of $7.13 (6.0%).

Customer statistics

Revenue-generating units – As of December 31, 2014, the total number of revenue-generating units stood at 5,301,600, a 117,700-unit (2.3%) increase in 2014, compared with a 164,800-unit increase in 2013 (Table 4). Revenue-generating units are the sum of cable television and cable Internet access subscriptions, cable telephone lines and subscriber connections to the mobile telephony service.

Cable television – The combined customer base for all of Videotron's cable television services decreased by 42,800 (-2.3%) in 2014, compared with a decrease of 29,900 in 2013 (Table 4). As of December 31, 2014, Videotron had 1,782,300 subscribers to its cable television services. The household and business penetration rate (number of subscribers as a proportion of the total 2,777,300 homes and businesses passed by Videotron's network as of the end of December 2014, up from 2,742,500 one year earlier) was 64.2% versus 66.5% a year earlier.

- As of December 31, 2014, the number of subscribers to the illico Digital TV service stood at 1,561,700, an increase of 30,300 (2.0%) in 2014, compared with a 46,800-subscriber increase in 2013. As of December 31, 2014, illico Digital TV had a household and business penetration rate of 56.2% versus 55.8% a year earlier.
- The customer base for analog cable television services decreased by 73,100 in 2014, compared with a decrease of 76,700 in 2013, partly as a result of customer migration to illico Digital TV.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,537,500 at December 31, 2014, an increase of 31,500 (2.1%) in 2014, compared with an increase of 62,000 in 2013 (Table 4). At December 31, 2014, Videotron's cable Internet access services had a household and business penetration rate of 55.4% compared with 54.9% a year earlier.

Cable telephony service – The number of cable telephone lines stood at 1,349,000 as of December 31, 2014, an increase of 500 from the end of 2013, compared with an increase of 32,200 in 2013 (Table 4). At December 31, 2014, the cable telephony service had a household and business penetration rate of 48.6% versus 49.2% a year earlier.

Mobile telephony service – As of December 31, 2014, the number of subscriber connections to the mobile telephony service stood at 632,800, an increase of 128,500 (25.5%) in 2014, compared with an increase of 100,500 in 2013 (Table 4).

Table 4
Telecommunications segment year-end customer numbers[1] (2010-2014)
(in thousands of customers)

	2014	2013	2012	2011	2010
Cable television:					
Analog	**220.6**	293.7	370.4	460.7	592.0
Digital	**1,561.7**	1,531.4	1,484.6	1,400.8	1,219.6
	1,782.3	1,825.1	1,855.0	1,861.5	1,811.6
Cable Internet	**1,537.5**	1,506.0	1,444.0	1,359.6	1,268.1
Cable telephony[2]	**1,349.0**	1,348.5	1,316.3	1,245.9	1,145.1
Mobile telephony[2]	**632.8**	504.3	403.8	290.7	136.1
Total (revenue-generating units)	**5,301.6**	5,183.9	5,019.1	4,757.7	4,360.9

1 Customer statistics have been restated for 2014 and previous years to reflect certain adjustments to product definitions.
2 Thousands of connections.

Adjusted operating income: $1.35 billion, a $60.7 million (4.7%) increase caused primarily by:

- impact of higher revenues;
- $7.2 million favourable retroactive adjustment arising from a correction to the subscription fee calculation method.

Partially offset by:

- impact of the higher number of mobile devices sold at a loss;
- favourable impact on the 2013 results of one-time adjustments, including a provision for Canadian Radio-television and Telecommunications Commission ("CRTC") licence fees in order to align with the CRTC's billing period;
- increases in some operating expenses, including advertising, marketing and customer service expenses.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.3% in 2014 compared with 54.8% in 2013. The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues), partially offset by the impact of the higher number of mobile devices sold at a loss and the increase in some operating expenses, including advertising and marketing expenses.

Cash flows from operations

Cash flows from segment operations: $665.5 million in 2014 compared with $722.1 million in 2013 (Table 5).

- The $56.6 million decrease reflects a $109.9 million increase in additions to property, plant and equipment and to intangible assets, due mainly to increased capital expenditures on the LTE network and a $7.4 million decrease in proceeds from disposal of assets, partially offset by the $60.7 million increase in adjusted operating income.

Table 5: Telecommunications
Cash flows from operations
(in millions of CAN dollars)

		2014		2013
Adjusted operating income	**$**	**1,354.9**	$	1,294.2
Additions to property, plant and equipment		**(607.5)**		(532.9)
Additions to intangible assets		**(87.3)**		(52.0)
Proceeds from disposal of assets		**5.4**		12.8
Cash flows from segment operations	**$**	**665.5**	$	722.1

Media

The Media segment of Quebecor Media operates two paid-circulation daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, and a free daily, *24 heures Montréal.* According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers was approximately 2.9 million copies per week as of December 31, 2014.

The paid-circulation newspapers disseminate information in traditional print form, as well as through two urban daily news portals, *journaldemontreal.com* and *journaldequebec.com*. The Media segment also operates a number of websites, including *canoe.ca* and *canoe.tv*, as well as the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles). The Media segment's portals log 2.9 million unique visitors per month (according to corporate figures).

Also in the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik^{TV}, Argent, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. TVA Group's TVA Accès division is engaged in commercial production and its TVA Films division in the distribution of films and television programs. Through its subsidiaries TVA Publications inc. and Les Publications Charron & Cie inc. ("Les Publications Charron & Cie"), TVA Group publishes more than 50 magazines in the general interest and entertainment categories. It is the largest publisher of French-language magazines in Québec.

Until February 13, 2015, the Media segment also operated the English-language news and opinion specialty channel SUN News, which discontinued its operations on that date. The Media segment's operating results presented in this report include SUN News' financial data.

TVA Group also closed the acquisition of substantially all of the assets of Global Vision in December 2014. Global Vision provides studio, soundstage and equipment leasing and post-production services to the film and television industries.

The Media segment is also engaged in the distribution of newspapers and magazines, commercial printing and outdoor advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties and outside customers, as well as Quebecor Media Sales, which offers its customers integrated, diversified, complete advertising services.

Finally, the Media segment is also engaged in academic publishing through CEC Publishing, general literature through 18 publishing houses, physical and digital distribution of books through Messageries ADP inc., the exclusive distributor for approximately 200 Québec and European French-language publishers, and e-books through Readbooks.

2014 operating results

Revenues: $807.7 million in 2014, a $20.6 million (-2.5%) decrease.

- Newspaper publishing revenues decreased by $16.1 million (-5.9%).
  - Advertising revenues decreased 7.3%; circulation revenues decreased 2.5%; digital revenues increased 5.1%; combined revenues from commercial printing and other sources decreased 7.0%.
  - Revenues decreased 5.4% at the urban dailies and 6.7% at the portals.
- Broadcasting revenues decreased by $4.2 million (-1.1%), mainly because of:
  - lower advertising revenues at TVA Network;
  - $6.1 million favourable adjustment in 2013 resulting from retroactive adjustment to royalties for the retransmission of the over-the-air stations' signals to markets located outside their local service areas (“retransmission royalties”) for the years 2009 to 2012;
  - discontinuation of operations of TVA Boutiques in 2013.

  Partially offset by:
  - increased subscription revenues at the specialty services, including TVA Sports, mainly because of the addition of programming dedicated to NHL hockey, and SUN News, due to an adjustment to royalty rates;
  - increased advertising revenues at the specialty services, mainly TVA Sports.
- Magazine publishing revenues increased by $0.7 million (1.0%), mainly because of the favourable impact on revenues of the acquisition of Les Publications Charron & Cie in July 2013, partially offset by the decrease in advertising revenues on a same-store basis and the impact of the closing of some publications.
- Quebecor Media Out of Home’s revenues increased $1.6 million (20.7%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues increased by $0.8 million (0.8%), primarily as a result of increased bookstore volume.

Adjusted operating income: $46.5 million in 2014, a $37.5 million (-44.6%) decrease.

- Adjusted operating income from newspaper publishing decreased $5.0 million (-16.9%) due to:
  - impact of decrease in revenues;
  - higher employee compensation costs;
  - $2.8 million favourable impact in 2013 of adjustments to the cost of post-retirement benefits.

  Partially offset by:
  - $7.8 million favourable impact of restructuring initiatives and other reductions in operating expenses.
- Adjusted operating income from broadcasting operations decreased by $34.2 million (-82.7%), mainly as a result of:
  - higher content costs, partially as a result of increased spending on TVA Sports and adjustments to the cost of certain prior-year broadcasting rights related to indemnification clauses;
  - impact of decrease in TVA Network’s advertising revenues;
  - favourable impact of $6.1 million retroactive adjustment to retransmission royalties in 2013;
  - favourable impact on second quarter 2013 results of an adjustment to the provision for CRTC licence fees to align with the CRTC’s billing period.

  Partially offset by:
  - impact of higher subscription and advertising revenues at the specialty channels.
- Adjusted operating income from magazine publishing increased by $2.2 million (28.5%), mainly as a result of:
  - impact of acquisition of Les Publications Charron & Cie;

   o reductions in some operating costs, including printing and production costs.

   Partially offset by:

   o impact of decrease in advertising revenues on a same-store basis.

- Adjusted operating income from book distribution and publishing decreased by $0.7 million (-7.0%), due primarily to increases in some operating expenses, partly reflecting an unfavourable adjustment to government tax credits.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 94.2% in 2014 compared with 89.9% in 2013. The increase was mainly due to the impact of higher television content costs, the revenue decrease (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues), and the favourable impact on the 2013 results of the retroactive adjustment to retransmission royalties.

Cash flows from operations

Cash flows from segment operations: $5.0 million in 2014, compared with $49.4 million in 2013 (Table 6). The $44.4 million decrease was mainly due to the $37.5 million decline in adjusted operating income.

Table 6: Media
Cash flows from operations
(in millions of CAN dollars)

		2014		2013
Adjusted operating income	**$**	**46.5**	$	84.0
Additions to property, plant and equipment		**(32.2)**		(26.2)
Additions to intangible assets		**(9.3)**		(8.8)
Proceeds from disposal of assets		**–**		0.4
Cash flows from segment operations	**$**	**5.0**	$	49.4

Sports and Entertainment

The Corporation's activities in the Sports and Entertainment segment include distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); recording of live concerts, production of concert videos and television commercials (Les Productions Select TV inc.), and concert promotion (Musicor Spectacles).

The Sports and Entertainment segment also includes two QMJHL hockey teams, the Armada de Blainville-Boisbriand and the Remparts de Québec, as well as Event Management Gestev Inc. ("Gestev"), a Québec City sports and cultural events manager.

As well, the segment includes the activities of the Arena following ratification in 2011 of a 25-year agreement between Quebecor Media and Québec City with respect to usage and naming rights to the Arena.

2014 operating results

Revenues: $60.9 million, a $9.3 million (-13.2%) decrease compared with 2013, due primarily to:

- 16.3% decrease in music distribution revenues, primarily as a result of lower video and CD sales;
- 26.4% decrease in music production and promotion revenues due to the larger number of successful concerts and albums produced in 2013.

Partially offset by:

- Favourable revenue impact of the acquisition of Gestev on May 24, 2013, including its sporting events management, site management and marketing activities.

Adjusted operating loss: $3.4 million in 2014 compared with $1.1 million in 2013. The $2.3 million unfavourable variance was due to the impact of the revenue decrease and the startup of new performance hall management operations.

Cash flows from operations

Cash flows from segment operations: Negative $9.0 million in 2014 compared with negative $1.7 million in 2013 (Table 7). The $7.3 million unfavourable variance was due to the $4.9 million increase in additions to property, plant and equipment, partly reflecting the impact of new performance hall management operations, and the $2.3 million increase in the adjusted operating loss.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of CAN dollars)

		2014		2013
Adjusted operating (loss) income	**$**	**(3.4)**	$	(1.1)
Additions to property, plant and equipment		**(5.5)**		(0.6)
Additions to intangible assets		**(0.1)**		–
Cash flows from segment operations	**$**	**(9.0)**	$	(1.7)

2014/2013 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $989.4 million, a $28.1 million (2.9%) increase.

- Revenues increased in Telecommunications ($34.2 million or 4.6% of segment revenues) and in Media ($1.7 million or 0.8%).
- Revenues decreased in Sports & Entertainment ($1.3 million or -5.3%).

Adjusted operating income: $353.1 million, a $3.3 million (-0.9%) decrease.

- Adjusted operating income decreased in Media ($22.5 million or -71.2% of segment adjusted operating income).
- Adjusted operating income increased in Telecommunications ($19.9 million or 6.1%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.8 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2014 compared with the same period of 2013. The change in the fair value of Quebecor stock options resulted in a $3.7 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2014.

Net loss attributable to shareholders: $59.5 million ($0.48 per basic share) in the fourth quarter of 2014, compared with net income attributable to shareholders in the amount of $0.3 million in the same period of 2013, an unfavourable variance of $59.8 million ($0.48 per basic share).

- The decrease was due primarily to:
  - $44.9 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items (including $34.3 million without any tax consequences);
  - $23.0 million unfavourable variance in gains and losses on valuation and translation of financial instruments, including a $49.9 million unfavourable variance in convertible debentures, without any tax consequences;
  - $10.7 million increase in the depreciation and amortization charge.

  Partially offset by:
  - $9.4 million decrease in financial expenses;
  - $5.1 million favourable variance in gains and losses from discontinued operations.

Adjusted income from continuing operations: $50.3 million in the fourth quarter of 2014 ($0.41 per basic share), compared with $48.6 million ($0.39 per basic share) in the same period of 2013, an increase of $1.7 million ($0.02 per basic share).

Depreciation and amortization charge: $174.6 million, a $10.7 million increase due essentially to the same factors as those noted above in the 2014/2013 financial year comparison.

Financial expenses: $84.4 million, a $9.4 million decrease due essentially to the same factors as those noted above in the 2014/2013 financial year comparison.

Loss on valuation and translation of financial instruments: $93.2 million in the fourth quarter of 2014 compared with a $70.2 million loss in the same period of 2013. The $23.0 million unfavourable variance was mainly due to the $49.9 million increase (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, partially offset by the favourable variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments.

Charge for restructuring of operations, impairment of assets and other special items: $47.7 million in the fourth quarter of 2014, compared with $2.8 million in the same period of 2013, a $44.9 million unfavourable variance.

- In the fourth quarter of 2014, the Telecommunications segment recorded a $1.0 million restructuring charge ($1.0 million in the same period of 2013) and a $3.4 million charge for impairment of assets. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.

- In the fourth quarter of 2014, a $2.3 million net charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs ($1.5 million in the same period of 2013). In connection with these initiatives, a $0.1 million loss on disposal of assets was recognized in the fourth quarter of 2014 ($0.6 million in the same period of 2013) and a $0.2 million reversal of the impairment charge on certain assets was also recognized in fourth quarter of 2013. The Media segment also recognized a $3.3 million asset impairment charge on its broadcasting assets and a $2.6 million other special charge, primarily attributable to business acquisitions.
- The other segments recorded a $0.7 million net charge for restructuring of operations, impairment of assets and other special items in the fourth quarter of 2014 ($0.1 million reversal in the same period of 2013).

Income tax expense: $22.9 million in the fourth quarter of 2014 (effective tax rate of 30.3%) compared with $20.6 million in the same period of 2013 (effective tax rate of 32.3%), a $2.3 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The increase in the income tax expense was mainly due to the impact of the increase in taxable income.
- The effective tax rates were due to the impact of the tax rate mix on the various components of the loss on valuation and translation of financial instruments.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $778.2 million, a $34.2 million (4.6%) increase essentially due to the same factors as those noted above in the 2014/2013 financial year comparison.

- Combined revenues from all cable television services decreased $8.1 million (-2.9%) to $268.2 million.
- Revenues from Internet access services increased $12.3 million (5.9%) to $222.2 million.
- Revenues from cable telephony service increased $1.9 million (1.6%) to $120.6 million.
- Revenues from mobile telephony service increased $23.9 million (40.1%) to $83.5 million.
- Revenues of Videotron Business Solutions increased $1.0 million (6.3%) to $16.8 million.
- Revenues from customer equipment sales increased $5.8 million (54.2%) to $16.5 million.
- Revenues from retail sales decreased $2.8 million (-5.5%) to $48.0 million.
- Other revenues increased $0.3 million (13.6%) to $2.5 million.

ARPU: $129.36 in fourth quarter 2014, compared with $121.22 in the same period of 2013, an $8.14 (6.7%) increase.

Customer statistics

Revenue-generating units – 25,100 (0.5%) unit increase in the fourth quarter of 2014 compared with an increase of 46,700 in the same period of 2013.

Cable television – 14,000 (-0.8%) decrease in combined customer base for all of Videotron's cable television services in the fourth quarter of 2014 compared with a decrease of 5,300 in the same period of 2013.

- illico Digital TV: 12,700 (0.8%) subscriber increase in the fourth quarter of 2014 compared with an increase of 13,800 in the same period of 2013.
- Analog cable TV: 26,700 subscriber decrease in the fourth quarter of 2014 compared with a decrease of 19,100 in the same period of 2013.

Cable Internet access – 3,700 (0.2%) customer increase in the fourth quarter of 2014 compared with an increase of 19,300 in the same period of 2013.

Cable telephony – 7,000 (-0.5%) subscriber decrease in the fourth quarter of 2014 compared with an increase of 7,500 in the same period of 2013.

Mobile telephony service – 42,400 (7.2%) increase in subscriber connections in the fourth quarter of 2014 compared with an increase of 25,200 in the same period of 2013.

Adjusted operating income: $348.6 million, a $19.9 million (6.1%) increase due primarily to:

- impact of the revenue increase and the $7.2 million favourable retroactive adjustment arising from a correction to the subscription fee calculation method, partially offset by the impact of the increase in the number of mobile devices sold at a loss and the increases in some operating expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Telecommunications segment's operations, expressed as a percentage of revenues, were 55.2% in the fourth quarter of 2014 compared with 55.8% in the same period of 2013. The decrease was mainly due to the impact of revenue growth (as the fixed component of operating costs does not fluctuate in proportion to revenues), partially offset by the impact of the higher number of mobile devices sold at a loss.

Media

Revenues: $227.0 million in the fourth quarter of 2014, an increase of $1.7 million (0.8%).

- Newspaper publishing revenues decreased by $5.0 million (-7.0%).
  - Advertising revenues decreased 7.9%; circulation revenues decreased 4.6%; digital revenues decreased 15.0%; combined revenues from commercial printing and other sources decreased 5.5%.
  - Revenues decreased by 5.9% at the urban dailies and by 25.9% at the portals.
- Broadcasting revenues increased by $12.0 million (11.3%), mainly because of:
  - increased subscription and advertising revenues at the specialty services, including TVA Sports, mainly because of the addition of NHL hockey broadcasts.

  Partially offset by:
  - lower advertising revenues at TVA Network.
- Magazine publishing revenues decreased by $0.7 million (-4.2%), partly because of the impact of the decrease in advertising revenues and the closure of some publications.
- Revenues of Quebecor Media Out of Home increased by $0.6 million (27.0%), primarily because of higher advertising revenues, including new digital revenues.
- Book distribution and publishing revenues increased by $2.0 million mainly due to:
  - Increased distribution revenues and increased volume in general literature and academic publishing.

Adjusted operating income: $9.1 million in the fourth quarter of 2014, a $22.5 million (-71.2%) decrease.

- Adjusted operating income from newspaper publishing decreased by $9.0 million (-63.8%), primarily as a result of:
  - impact of decrease in revenues;
  - $2.8 million favourable impact in 2013 of adjustments to the cost of post-retirement benefits;
  - increased employee compensation.
- Adjusted operating income from broadcasting operations decreased by $13.5 million (-87.4%), mainly as a result of:
  - increased content costs, partly as a result of higher expenditures at TVA Sports;
  - impact of decrease in TVA Network's revenues.

  Partially offset by:
  - impact of higher subscription and advertising revenues at the specialty channels.
- Adjusted operating income from magazine publishing decreased by $0.2 million (-10.6%), mainly because of the impact of the revenue decrease, partially offset by reductions in some operating expenses, including printing and production costs.
- The operating loss of Quebecor Media Out of Home decreased by $0.4 million as a result of the increase in revenues.
- Adjusted operating income from book distribution and publishing increased by $0.9 million, primarily as a result of the increase in revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 96.0% in the fourth quarter of 2014 compared with 86.0% in the same period of 2013. The increase was mainly due to the impact of the revenue decrease (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues), the favourable adjustment to post-retirement benefits in 2013, and higher broadcasting content costs.

Sports and Entertainment

Revenues: $23.2 million in the fourth quarter of 2014, a $1.3 million (-5.3%) decrease.

- Revenues from music production and promotion decreased by 52.4% due to the impact of the cancellation of the 2014 edition of the *Les Stars chantent Noël* concert and the larger number of successful albums released in the fourth quarter of 2013.
- 2.0% decrease in music distribution revenues, primarily as a result of lower CD sales.

Adjusted operating income: $0.6 million in the fourth quarter of 2014, a $0.2 million decrease due primarily to the impact of the revenue decrease and the startup of new performance hall management operations.

2013/2012 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.65 billion, a $94.2 million (2.7%) increase.

- Revenues increased in Telecommunications ($101.7 million or 3.7% of segment revenues).
- Revenues decreased in Media ($16.5 million or -2.0%) and Sports and Entertainment ($6.7 million or -8.7%).

Adjusted operating income: $1.37 billion, a $78.4 million (6.1%) increase.

- Adjusted operating income increased in Telecommunications ($74.0 million or 6.1% of segment adjusted operating income) and Media ($21.8 million or 35.0%).
- Adjusted operating income decreased in Sports and Entertainment ($3.4 million) and at Head Office ($14.0 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $0.2 million favourable variance in the stock-based compensation charge in 2013 compared with 2012. The change in the fair value of Quebecor stock options resulted in an $11.9 million unfavourable variance in the Corporation's stock-based compensation charge in 2013.

Net loss attributable to shareholders: $288.6 million ($2.33 per basic share) in 2013, compared with net income attributable to shareholders of $159.1 million ($1.26 per basic share) in 2012, an unfavourable variance of $447.7 million ($3.59 per basic share).

- The unfavourable variance was due primarily to:
  - $520.7 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including a $145.8 million unfavourable variance in convertible debentures, without any tax consequences;
  - $76.1 million increase in the depreciation and amortization charge;
  - $64.2 million unfavourable variance in the loss related to discontinued operations;
  - $41.2 million increase in financial expenses;
  - $22.9 million unfavourable variance in the charge for restructuring of operations, impairment of assets and other special items;
  - $12.6 million unfavourable variance in losses on debt refinancing.

  Partially offset by:
  - $78.4 million increase in adjusted operating income;
  - $7.7 million favourable variance in the charge for impairment of goodwill and intangible assets.

Adjusted income from continuing operations: $177.3 million in 2013 ($1.43 per basic share), compared with $153.2 million ($1.21 per basic share) in 2012, an increase of $24.1 million ($0.22 per basic share).

Depreciation and amortization charge: $630.7 million in 2013, a $76.1 million increase essentially due to the impact of the significant capital expenditures made since 2011 in the Telecommunications segment, including depreciation of capital expenditures related to cable Internet access services and modernization of the wired network, plus the impact of promotional strategies focused on equipment leasing.

Financial expenses: $388.3 million, a $41.2 million increase due mainly to higher indebtedness resulting from the leveraged repurchase in October 2012 of Quebecor Media shares held by CDP Capital d'Amérique Investissement inc., a subsidiary of Caisse de dépôt et placement du Québec. This factor was partially offset by the impact of lower interest rates on long-term debt as a result of debt refinancing at more advantageous rates.

Loss on valuation and translation of financial instruments: $384.4 million in 2013 compared with a $136.3 million gain in 2012. The $520.7 million unfavourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, and the $139.4 million increase (without any tax consequences) in the loss on embedded derivatives related to convertible debentures.

The variance was also due to the reversal of the fair value of early settlement options on the Videotron Senior Notes redeemed on July 2, 2013, and the Quebecor Media Senior Notes redeemed on August 30, 2013.

Charge for restructuring of operations, impairment of assets and other special items: $11.6 million in 2013, compared with an $11.3 million reversal in 2012, a $22.9 million unfavourable variance.

- In 2013, the Telecommunications segment recorded a $1.8 million restructuring charge ($1.0 million in 2012).
- In 2013, a $6.7 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($0.3 million in 2012). As part of those initiatives, a $0.1 million gain on disposal of assets was recorded in 2013 ($0.1 million loss in 2012), and a $2.1 million charge for impairment of assets was also recorded in 2013.
- In 2012, the Media segment recorded a $12.9 million gain on disposal of businesses as a result of the sale by TVA Group of its interest in the specialty channels mysteryTV and The Cave.
- The other segments recorded a net charge for restructuring of operations, impairment of assets and other special items of $1.1 million in 2013 ($0.2 million in 2012).

Charge for impairment of goodwill and intangible assets: $35.3 million in 2013, compared with $43.0 million in 2012, a $7.7 million favourable variance.

- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers, Books and Music CGUs. Accordingly, the following impairment charges were recorded:
    - the Media segment recognized a $14.5 million non-cash goodwill impairment charge, without any tax consequences, in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge, without any tax consequences, in its Books CGU;
    - Quebecor Media recorded an $8.9 million non-cash goodwill impairment charges without any tax consequences in its Music CGU.
- In the third quarter of 2012, Quebecor Media performed impairment tests on its Newspapers, Music and Book Publishing & Distribution CGUs, in view of the difficult market conditions in those industries. Accordingly, the Media segment recorded a $16.5 million non-cash goodwill impairment charge in its Newspaper CGU (without any tax consequences), and Quebecor Media recorded a $12.0 million non-cash goodwill impairment charge (without any tax consequences) in its Music CGU.
- As well, the magazine publishing operating costs were adversely affected by new tariffs adopted in 2012 with respect to business contributions for costs related to waste recovery services provided by Québec municipalities. Accordingly, the Corporation reviewed its business plan for the segment and determined that goodwill was no longer fully recoverable. A $14.5 million non-cash goodwill impairment charge (without any tax consequences) was therefore recorded in 2012.

Loss on debt refinancing: $18.9 million in 2013, compared with $6.3 million in 2012, a $12.6 million unfavourable variance.

- On July 2, 2013, Videotron redeemed US$380.0 million principal amount of its outstanding 9.125% Senior Notes, issued on April 15, 2008 and maturing in April 2018, and settled the related hedges. On August 30, 2013, Quebecor Media redeemed US$265.0 million principal amount of its outstanding 7.75% Senior Notes, issued in January 2006 and maturing in March 2016, and settled the related hedges. As a result, a total loss of $18.9 million was recorded in the consolidated statement of income in 2013, including a $14.5 million gain previously recorded in “Other comprehensive income.”
- In 2012, Videotron redeemed all of the 6.875% Senior Notes, issued in October 2003 and November 2004 and maturing in January 2014, in the aggregate principal amount of US$395.0 million. During the same period, Quebecor Media redeemed US$580.0 million principal amount of its 7.75% Senior Notes, issued in January 2006 and October 2007 and maturing in March 2016, and settled some of the related hedges. Finally, Quebecor Media prepaid the outstanding balance of its term loan “B” credit facility for a cash consideration of $153.9 million and settled the related hedges in January 2013. The transactions generated a total $6.3 million loss on debt refinancing.

Income tax expense: $27.8 million in 2013 (effective tax rate of 36.5%), compared with $105.4 million (effective tax rate of 19.8%) in 2012, a $77.6 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in the income tax expense was mainly due to the decrease in taxable income for tax purposes.
- The variance in the effective tax rate was due to:
    - impact of the $34.8 million reduction in deferred income tax expense in 2012, following the Corporation's review of the recognition of deferred income tax assets in light of jurisprudence and tax developments;
    - impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments and the loss on debt refinancing.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussions on trends under "Trend Information" above and on the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

Operating activities

Cash flows provided by operating activities: $959.6 million in 2014 compared with $891.7 million in 2013.

- The $67.9 million favourable variance was mainly due to:
  - $77.5 million favourable net change in non-cash balances related to operations, mainly because of a favourable variance in accounts payable and accrued liabilities, and an increase in the provision for a legal dispute, partially offset by an unfavourable variance in current income taxes payable;
  - $60.7 million increase in adjusted operating income in the Telecommunications segment;
  - $34.3 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $38.9 million increase in the cash portion of the charge for restructuring of operations, impairment of assets and other special items;
  - $37.5 million decrease in adjusted operating income in the Media segment;
  - $33.8 million unfavourable variance in current income taxes.

In 2014, the favourable impact of the timing of transactions on non-cash items related to operating activities, increased profitability in the Telecommunications segment, and the refinancing of some debt at lower interest rates had a favourable impact on cash flows. However, cash flows provided by the Media segment continued to be affected by the impact of the shift to digital and challenging market conditions. Reduced tax benefits available for the deferral of income tax disbursements also had a negative impact on cash flows.

Working capital: $90.2 million at December 31, 2014, compared with $75.0 million at December 31, 2013, a $15.2 million increase. The impact of the recognition of assets held for sale under current assets (mainly reflecting the sale of the English-language newspaper businesses) was offset by the matching reduction in non-cash balances related to operating activities. Similarly, recognition of long-term debt maturing in 2015 under short-term liabilities as at December 31, 2014 was offset by recognition of debt and financial instruments maturing in 2014 under short-term liabilities as at December 31, 2013.

Investing activities

Additions to property, plant and equipment: $645.7 million in 2014 compared with $562.4 million in 2013. Spending on the LTE network in the Telecommunications segment essentially accounted for the $83.3 million increase.

Additions to intangible assets: $317.3 million in 2014, compared with $77.8 million in 2013, a $239.5 million increase. The Telecommunications segment accounted for most of the increase, mainly reflecting payments totalling $217.4 million in 2014 for the acquisition of 700 MHz spectrum licences compared with $15.9 million in 2013.

Proceeds from disposal of assets: $5.4 million in 2014 compared with $13.2 million in 2013.

- The Telecommunications segment accounted for most of the proceeds from disposal of assets recorded in 2014 and 2013.

Business acquisitions: $132.3 million in 2014 compared with $7.7 million in 2013.

- Business acquisitions in 2014 reflect, among other things, acquisition of substantially all of the assets of Global Vision in the Media segment, and of the Remparts de Québec, a QMJHL hockey team, in the Sports and Entertainment segment.
- Business acquisitions in 2013 mainly reflect acquisition of Les Publications Charron & Cie and Charron Éditeur in the Media segment and acquisition of Gestev in the Sports and Entertainment segment.

Disposal of businesses: $193.5 million in 2014 compared with $59.2 million in 2013.

- Disposals of businesses in 2014 consisted of the sale of the Nurun subsidiary to the French company Publicis Groupe for $125.0 million in cash, less disposed-of cash in the amount of $18.1 million. $8.2 million was also received in connection with certain adjustments to the transaction. Also, Quebecor Media closed the sale of the 74 Québec community weeklies to Transcontinental Interactif for a total cash consideration of $78.4 million.
- Disposal of businesses: $59.2 million in 2013 from the sale of *Jobboom* and *Réseau Contact* to Mediagrif Interactive Technologies Inc.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $250.3 million in 2014 compared with $312.5 million in 2013 (Table 8).

- The $62.2 million unfavourable variance was due to:
  - $83.3 million increase in additions to property, plant and equipment;
  - $38.0 million increase in additions to intangible assets (excluding acquisition of spectrum licences);
  - $7.8 million decrease in proceeds from disposal of assets.

  Partially offset by:
  - $66.9 million favourable variance in cash flows provided by continuing operating activities.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of CAN dollars)

	2014	2013
Cash flows from segment operations		
Telecommunications	**$ 665.5**	$ 722.1
Media	**5.0**	49.4
Sports and Entertainment	**(9.0)**	(1.7)
Quebecor Media Head Office	**(7.2)**	(3.5)
	654.3	766.3
Cash interest expense	**(315.6)**	(348.9)
Cash portion of charge for restructuring of operations, impairment of assets and other special items	**(47.6)**	(8.7)
Current income taxes	**(117.1)**	(83.4)
Other	**(0.6)**	(0.9)
Net change in non-cash balances related to operations	**76.9**	(11.9)
Free cash flows from continuing operating activities of Quebecor Media	**$ 250.3**	$ 312.5

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by operating activities of Quebecor
(in millions of CAN dollars)

	2014	2013
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 250.3**	$ 312.5
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**4.4**	(7.3)
Cash interest expense	**(26.4)**	(27.4)
Other	**(0.2)**	0.2
Net change in non-cash balances related to operations	**(8.7)**	2.6
	(30.9)	(31.9)
Plus additions to property, plant and equipment	**645.7**	562.4
Plus additions to intangible assets	**99.9**	61.9
Minus proceeds from disposal of assets	**(5.4)**	(13.2)
Cash flows provided by operating activities of Quebecor	**$ 959.6**	$ 891.7

Financing activities

Consolidated debt (long-term debt plus bank borrowings): $206.5 million increase in 2014. $349.5 million favourable net variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2014:
  - issuance by Videotron on April 9, 2014 of US$600.0 million aggregate principal amount of Senior Notes for net proceeds of $654.5 million, net of financing fees of $7.8 million. The Notes bear interest at 5.375% and mature on June 15, 2024;
  - estimated $266.9 million unfavourable impact of exchange rate fluctuations. The increase in this item is offset by a decrease in the liability (or increase in the asset) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - $11.9 million increase in debt due to changes in fair value related to hedged interest rate risk and the variance in the fair value of early settlement options.
- Summary of year-to-date debt reductions:
  - early redemption and withdrawal by Videotron on April 24, 2014 of US$260.0 million aggregate principal amount of 9.125% Senior Notes, issued on March 5, 2009 and maturing on April 15, 2018;
  - redemption and early repayment by Quebecor Media on April 25, 2014 of its outstanding 7.75% Senior Notes, issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million;
  - current payments totalling $25.0 million on Quebecor Media’s and Videotron’s credit facilities;
  - $23.8 million reduction in Quebecor’s debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $298.1 million at December 31, 2014, compared with a net liability of $51.4 million at December 31, 2013, a $349.5 million net favourable variance due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - settlement at maturity on January 15, 2014 of liabilities related to Videotron’s hedges, which had been repurposed to cover a portion of the term of 5.0% Senior Notes in the notional amount of US$543.1 million issued on March 14, 2012 and maturing in 2022;

Partially offset by:

- o unwinding of Quebecor Media's hedging contracts in an asset position in connection with the redemption and early withdrawal on April 25, 2014 of US$380.0 million aggregate principal amount of 7.75% Senior Notes;
- o unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On November 3, 2014, TVA Group modified the terms and conditions of its bank credit facilities to increase the size of its revolving credit facility from $100.0 million to $150.0 million; to extend their term by two years until February 24, 2019; and to replace the existing $75.0 million term loan maturing on December 11, 2014 by a new term loan of an equivalent amount maturing on November 3, 2019. TVA Group also amended some terms and conditions to increase its financial flexibility. Accordingly, TVA Group granted a security on all of its movable assets and an immovable hypothec on its Head Office building.
- On February 4, 2015, TVA Group filed a final simplified prospectus with securities regulatory authorities in each of Canada's 10 provinces regarding a proposed Rights Offering, in which all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group received on February 18, 2015 rights to subscribe for Class B Non-Voting Shares of TVA Group for aggregate gross proceeds of approximately $110.0 million (the Rights Offering). The final simplified prospectus and relevant documents were sent on February 23, 2015 to all holders of Class A Shares of TVA Group and Class B Non-Voting Shares of TVA Group. The closing date of the Rights Offering should be on or about March 20, 2015. Pursuant to a standby commitment agreement with TVA Group, Quebecor Media has provided a standby commitment whereby it will be required to acquire all Class B Non-Voting Shares of TVA Group not subscribed for under the Rights Offering, subject to certain conditions.

Financial Position

Net available liquidity: $1.27 billion at December 31, 2014 for Quebecor Media and its wholly owned subsidiaries, consisting of $390.3 million in cash and $874.7 million in available unused lines of credit.

Net available liquidity: $105.2 million for Quebecor at the corporate level, consisting of a $0.8 million bank overdraft and $106.0 million in available unused lines of credit.

Consolidated debt: $5.28 billion at December 31, 2014, a $206.5 million increase compared with December 31, 2013; $349.5 million favourable net variance in assets and liabilities related to derivative financial instruments (*see* "Financing Activities" above).

- Consolidated debt essentially consisted of Videotron's $2.93 billion debt ($2.40 billion at December 31, 2013); TVA Group's $78.2 million debt ($74.6 million at December 31, 2013); Quebecor Media's $2.20 billion debt ($2.50 billion at December 31, 2013); and Quebecor's $77.2 million debt ($101.0 million at December 31, 2013).

At December 31, 2014, minimum principal payments on long-term debt in the coming years were as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of CAN dollars)

2015	$	230.1
2016		63.4
2017		51.8
2018		105.5
2019		56.9
2020 and thereafter		4,819.0
Total	**$**	**5,326.7**

The weighted average term of Quebecor's consolidated debt was approximately 7.2 years at December 31, 2014 (6.9 years at December 31, 2013). The debt consisted of approximately 82.6% fixed-rate debt (81.6% at December 31, 2013) and 17.4% floating-rate debt (18.4% at December 31, 2013).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, share repurchases, and dividend payments. The Corporation believes it will be able to meet future debt maturities, which are fairly staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in these financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2014, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends Declared

- On March 10, 2015, the Board of Directors of Quebecor declared a quarterly dividend of $0.025 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on April 21, 2015 to shareholders of record at the close of business on March 27, 2015.

2500 MHz and AWS-3 spectrum auction

In January 2015, Videotron contracted new unsecured on-demand credit facilities, under which letters of credit were issued and filed with Industry Canada as pre-auction financial deposits in respect to its application to participate to the 2500 MHz and AWS-3 spectrum auctions. Under Industry Canada's published rules with respect to communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of the letters of credit, which may be withdrawn by Videotron at any time prior to the auction's commencement.

On March 6, 2015, Quebecor Media and its Videotron subsidiary announced that they had acquired four 30 MHz licences in the auction for AWS-3 commercial mobile spectrum at a total price of $31.8 million. The process will resume on April 14, 2015 with the auction for spectrum in the 2500 MHz band.

Analysis of consolidated balance sheet at December 31, 2014

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2014 and December 31, 2013
(in millions of CAN dollars)

	December 31, 2014	December 31, 2013	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 395.3**	$ 476.6	$ (81.3)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**449.4**	566.3	(116.9)	Impact of current variances in activity and impact of recognition of net assets held for sale
Net assets held for sale[1]	**300.2**	67.9	232.3	Sale of English-language newspaper businesses, offset by sale of 74 Québec community weeklies in the Media segment
Property, plant and equipment	**3,430.4**	3,432.4	(2.0)	Additions to property, plant and equipment were offset by depreciation and reclassification of net assets held for sale
Intangible assets	**945.8**	824.8	121.0	Purchase of 700 MHz spectrum licences by Videotron, minus impairment of broadcasting licence in the Media segment
Goodwill	**2,714.6**	3,061.5	(346.9)	Impairment of goodwill in the Media segment and impact of recognition of net assets held for sale
Liabilities				
Long-term debt, including short-term portion and bank indebtedness	**5,283.5**	5,077.0	206.5	*See* "Financing activities"
Derivative financial instruments[2]	**(298.1)**	51.4	(349.5)	*See* "Financing activities"
Other liabilities	**426.8**	319.4	107.4	Increase in fair value of embedded derivatives related to convertible debentures

1 Current assets less current liabilities.

2 Current and long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2014, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2014
(in millions of CAN dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,326.7**	$ 230.1	$ 115.2	$ 162.4	$ 4,819.0
Convertible debentures[2]	**663.7**	–	–	663.7	–
Interest payments[3]	**2,274.7**	284.7	625.8	583.7	780.5
Operating leases	**263.0**	49.6	74.5	46.5	92.4
Additions to property, plant and equipment and other commitments	**1,465.4**	274.9	361.9	199.3	629.3
Derivative financial instruments[4]	**(308.9)**	4.7	51.0	(8.2)	(356.4)
Total contractual obligations	**$ 9,684.6**	**$ 844.0**	**$ 1,228.4**	**$ 1,647.4**	**$ 5,964.8**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2014 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2014.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements and has contracted long-term commitments to acquire equipment for a total future consideration of $184.3 million.

In 2011, Quebecor Media announced an agreement with Québec City for the construction and management of the Arena. As at December 31, 2014, the balance of these commitments stood at $111.8 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. As at December 31, 2014, the balance of these commitments stood at $110.0 million.

In May 2013, Videotron and Rogers Communications announced a 20-year agreement to build out and operate an LTE network in Québec and in the Ottawa area. As at December 31, 2014, the balance of these commitments stood at $193.3 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2014, the balance of these commitments stood at $901.8 million.

In November 2014, the Media segment, through TVA Group, reached an agreement to acquire 15 magazines in Canada for a cash consideration of $55.5 million. The transaction was authorized by the Competition Bureau on March 2, 2015.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $49.2 million in 2015 (contributions of $61.5 million were paid in 2014).

Related Party Transactions

During 2014, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $2.9 million ($3.3 million in 2013), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.5 million in 2013). These transactions were accounted for at the consideration agreed between the parties.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual values of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2018. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2014, the maximum exposure with respect to these guarantees was $14.5 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One subsidiary of the Corporation, acting as a franchiser, has provided guarantees should franchisees, in their retail activities, default certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at February 28, 2015. In addition, 1,310,000 stock options were outstanding as of February 28, 2015.

Table 13
Capital stock
(in shares and millions of CAN dollars)

	February 28, 2015	
	Issued and outstanding	Book value
Class A Shares	38,959,272	$ 8.7
Class B Shares	83,917,192	$ 318.5

On July 31, 2014, Quebecor filed its normal course issuer bid for a maximum of 500,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2014. The purchases can be made from August 13, 2014 to August 12, 2015 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2014, the Corporation purchased and cancelled 455,000 Class B Shares for a total cash consideration of $11.7 million (1,603,700 Class B Shares for a total cash consideration of $36.4 million in 2013). The excess of $10.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings in 2014 ($30.2 million in 2013).

On August 14, 2013, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, shareholders received one additional share for each share owned on the record date. Trading on the shares on a split basis commenced at the opening of business on August 16, 2013.

Risks and Uncertainties

The Corporation operates in the telecommunications and media industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below. Unless the context otherwise requires, in this section, Quebecor Media refers to Quebecor Media and its subsidiaries.

Competition and technological development

Quebecor Media competes against incumbent local exchange carriers (or "ILECs") the primary of which holds a regional license to provide terrestrial broadcasting distribution in Montréal and several other communities in the Québec. Such primary ILEC launched its own Internet protocol television (or "IPTV") service in Montréal (including a portion of the greater Montréal area), in Québec City and in other locations in Québec and also secured licenses to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems (or "MDS"), and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in high-definition ("HD")of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, third-party Internet access providers could launch IP video services in Quebecor Media's footprint.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("OTT") content providers, such as Netflix and Apple TV, compete for viewership.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, the Internet is becoming an important broadcasting and distribution platform on wired and mobile devices.. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution (also known as "LTE") networks, are now offering wireless and fixed wireless Internet services. In addition, VoIP telephony service also competes with Internet-based solutions.

In its Internet access business, Quebecor Media competes against other Internet service providers (or “ISPs”) offering residential and commercial Internet access services as well as WiMax and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line (“DSL”), fibre to the node and fibre to the home technologies, often offering comparable download speeds to its own. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access (“HSIA”) capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to its low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to its high-speed Internet systems to third party ISP competitors for the purpose of providing retail Internet access services. These third party ISP competitors may also provide telephony and networking applications.

Quebecor Media’s cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers (or “CLECs”), mobile telephony service operators and other providers of telephony, VoIP and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based (“IP-based”) products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media’s business, prospects and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, WiMax, “hotspots” or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including most of the incumbent carriers as well as at least one other new entrant) have launched lower-cost mobile telephony services in order to acquire additional market share. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

In relation to the Corporation’s Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in each of its broadcasting markets, industry regulators have authorized DTH, microwave services and VDSL services and may authorize other alternative methods of transmitting television and other content with improved speed and quality. Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition or results of operations.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of its Media business’ existing television subscriber base from its video-on-demand services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its video-on-demand services.

Finally, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects, revenues, financial condition and results of operation.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe) and has established worldwide coverage. Its inability to extend its worldwide coverage or to renew, or substitute for, these roaming agreements at their respective or better terms or on acceptable terms, may place Quebecor Media at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, various aspects of mobile communication operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and the ability of mobile providers to manage data traffic on their networks, are subject to regulation by the CRTC. Regulations adopted or actions taken by the government agencies having jurisdiction over any mobile business that Quebecor Media may develop could adversely affect its mobile business and operations, including actions that could increase competition or its costs.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a code of ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Limited offer of handsets

Only a limited number of devices is available for Quebecor Media's Advanced wireless services ("AWS"), which is in the 2 GHz range, a spectrum that is not broadly used for mobile telephony, and which consequently reduces the number of handsets available to its customers using AWS. Quebecor Media's LTE services offering requires devices in the high-end category, some of which LTE devices have an AWS HSPA capability. This could put pressure on Quebecor Media's acquisition costs as well as impair its ability to compete with lower-end devices. In addition, the handsets available to it are sometimes subject to an exclusivity period which varies in length when they are released to market. If manufacturers continue to offer exclusivity on future products in Canada, the number of handsets available to Quebecor Media potentially could be reduced.

Inventory obsolescence

Quebecor Media's wireless handset devices inventory generally has a relatively short product life cycles due to frequent wireless handset introductions. If it cannot effectively manage inventory levels based on product demand, this may increase the risk of inventory obsolescence.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and demands for increased bandwidth capacity and other services. In this regard, Quebecor Media has in the past required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short and medium term in order to expand and maintain its systems and services, including expenditures relating to advancements in Internet access and high definition television ("HDTV"), as well as the cost of its mobile services infrastructure deployment.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; wireless competition; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Industry Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, it could have a material adverse effect on its business, prospects and financial condition.

The development of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint built-out of its LTE network. In addition, Quebecor Media may be required to make further capital expenditures in the future for its LTE network to remain competitive and in order to comply with its obligations. A geographical expansion of its LTE network may require Quebecor Media to incur significant costs and to make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the *"Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all of the major hydroelectric companies and all of the major telecommunications companies in its service territory. In the event that Quebecor Media seeks to renew or to renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on favourable terms.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multi-platform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction. Quebecor Media may not be able to fully implement these strategies or realize their anticipated results without incurring significant costs or not implement them at all. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented by a centralized office throughout the organization fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third-parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to these new engagements, including the development of new revenue sources.

Consumers' trend to abandon wire and cable services

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. Also, there is a consumer trend, especially among younger consumers, to abandon wire and cable services which has resulted in a decline in households with a landline. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting younger customers to its services, which could have a material adverse effect on its business, its results of operation and its financial condition and which could prevent Quebecor Media from realizing the anticipated benefits of the investments made in its wire and cable technologies.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which HD, as opposed to standard definition, is gradually becoming the norm. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address the needs of its customers.

Equipment costs are under pressure in an effort to counterbalance customers' demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that allow cost reduction and implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in price hikes or in reduced profitability.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources, and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, financial condition, prospects or results of operations. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has recently made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and human effort. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following: the risk that management may not be able to successfully manage the development of its Sports and Entertainment business; the risk that the accommodation of the Sports and Entertainment Business may place significant demands on management, diverting attention from existing operations; the risk that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; the risk that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; the risk associated with a failure to make continued investments in its Sports and Entertainment business to respond to consumer trends and demands which could adversely affect its ability to compete in the sports and entertainment industry.

Key personnel

Quebecor and its subsidiaries' success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor and its subsidiaries' failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition and results of operations. In addition, in order to implement and manage their businesses and operating strategies effectively, Quebecor and its subsidiaries must sustain a high level of efficiency and performance and maintain content quality; they must continually enhance their operational and management systems and continue to effectively attract, train, motivate and manage their employees. If Quebecor and its subsidiaries are not successful in these efforts, it may have a material adverse effect on their business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media business. Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in its principal newspaper and television markets, as well as the strength or weakness of local, regional and national economic factors. These economic factors affect the levels of retail, national and classified newspaper advertising revenue, as well as television advertising revenue. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in these sectors and in the real estate industry has had, and may continue to have, an adverse impact on the revenues and results of operations of the Media business. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media business are also driven by readership and circulation levels, as well as by market demographics, price, service and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper business and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations and financial condition.

The newspaper industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry as well as the declining frequency of regular newspaper buying, particularly among young people, who increasingly rely on non-traditional media as a source for news. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and tablets) to readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to maintain its circulation base, such as investments in the re-design and overhaul of its newspaper websites and the publication of e–editions of a number of its newspapers, it may not be successful in retaining its historical share of advertising revenues or in transferring its audience to its new digital products. The ability of the Media's business to grow and succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives developed to generate additional revenues from its websites (such as digital platform advertising and/or the paywall revenue model) may not be accepted by users and, consequently, may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of these initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and in a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may all have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently-scheduled television programming at reasonable rates. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for these services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, high-definition programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content, at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, high-definition programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplication of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and in research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant costs in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as the costs of production. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Cost of newsprint

Newsprint, which is the basic raw material used to publish newspapers, has historically been and may continue to be subject to significant price volatility. Changes in the price of newsprint could significantly affect the Corporation's income, and volatile or increased newsprint costs have had, and may in the future have, a material adverse effect on its results of operations.

In order to obtain more favourable pricing, Quebecor Media sources substantially all of its newsprint from a single newsprint producer (the "Newsprint Supplier"). Pursuant to the terms of its agreement with its Newsprint Supplier, Quebecor Media obtains newsprint at a discount to market prices, receives additional volume rebates if certain thresholds are met, and benefits from a ceiling on the unit cost of newsprint. On the expiry of Quebecor Media's agreement with its Newsprint Supplier, there can be no assurance that it will be able to renew this agreement or that its Newsprint Supplier will continue to supply newsprint to Quebecor Media on favourable terms, or at all, after the expiry of the agreement. If Quebecor Media is unable to continue to source newsprint from its Newsprint Supplier on favourable terms, or if Quebecor Media is unable to otherwise source sufficient newsprint on terms acceptable to the corporation, its costs could increase significantly, which could materially adversely affect the profitability of its newspaper business and its results of operations. Quebecor Media also relies on its Newsprint Supplier for deliveries of newsprint. The availability of its newsprint supply, and therefore its operations, may be adversely affected by various factors, including labour disruptions affecting its Newsprint Supplier or the cessation of operations of its Newsprint Supplier.

In addition, since newspaper operations are labour intensive and since Quebecor Media's operations are located across Canada, its newspaper business has a relatively high fixed-cost structure. During periods of economic contraction, its revenues may decrease while certain costs remain fixed, resulting in reduced earnings.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Loss of key customers

In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Business is based primarily on customer satisfaction with reliability, timeliness, quality and price. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers.

Quebecor Media's customers periodically re-evaluate their decisions to outsource the services that it performs rather than perform them in-house. A decision by key customers to move in-house services they currently purchase from Quebecor Media could have a material adverse effect on its results of operations and financial condition. Quebecor Media cannot assure you that it will continue to maintain favorable relationships with these customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access and cable telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth and manage operating expenses, all of which could adversely impact its financial results and position. In addition, although Quebecor Media uses industry standard networks and established information technology security and survivability/disaster recovery practices, a security breach, disaster, cyber-security threat or a violation of its Internet security could have a material adverse effect on its reputation, business, prospects, financial condition and results of operations.

Protection from piracy

In Quebecor Media's cable, Internet access and telephony business, it may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, analog and digital programming, and its Internet access services. It uses encryption technology to protect its cable signals from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in its revenues as well as significant remediation costs and legal claims.

Malicious and abusive Internet practices

Quebecor Media's cable data customers utilize its network to access the Internet and, as a consequence, it or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volume to call centers and damage to its customers' equipment and data or to its own. Significant incidents could lead to customer dissatisfaction and, ultimately, to loss of customers or revenues, in addition to increased costs to service its customers and protect its network. Any significant loss of cable data, customers or revenue, or a significant increase in the costs of serving those customers could adversely affect its reputation, growth, business, prospects, financial condition and results of operations.

Third-party suppliers and providers

Quebecor Media depends on third–-party suppliers and providers for certain services, hardware and equipment that are critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for its Internet access and telephony services, and construction services for expansion and upgrades of its cable and mobile networks. These services and equipment are available from a limited number of suppliers and therefore Quebecor Media faces the risks of supplier disruption, including business difficulties, restructuring or supply-chain issues. If no supplier can provide Quebecor Media with the equipment or services that it requires or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out its advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees for providing their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor and its subsidiaries are involved in various legal proceedings and other claims relating to the conduct of their business. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor and its subsidiaries' reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have such an adverse effect. Moreover, the cost of defending against lawsuits and diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2014, approximately 50% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 77 collective bargaining agreements.

While Quebecor Media currently has no labour disputes nor do it currently anticipate any such labour dispute in the near future.

Quebecor Media can neither predict the outcome of current or future negotiations relating to labour disputes, if any, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations, and reputation. Even if Quebecor Media does not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycle and employee demographics could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust fund. Shortfalls may arise due to lower-than-expected returns on investments, changes in the discount rate used to assess the pension plan's obligations, and actuarial losses. This risk is mitigated by policies and procedures instituted by Quebecor Media and its pension committees to monitor investment risk and pension plan funding. It is also mitigated by the fact that some of Quebecor Media's defined benefit pension plans are no longer offered to new employees.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, mobile devices (handsets) and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, is payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign-exchange gains or losses. Although the Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2014, and it intends in the future to enter into such transactions for new U.S.-dollar-denominated debt, these hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations. The Corporation may in the future be required to provide cash and other collateral to secure its obligations with respect to such hedging transactions, or it may in the future be unable to enter into such transactions on favorable terms, or at all.

In addition, certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then fair value.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2014, the net aggregate fair value of its cross-currency interest rate swaps and foreign-exchange forward contracts was in a net asset position of $298.1 million on a consolidated basis.

Certain of the commodities that the Corporation consumes in its daily operations are traded on commodities exchanges or are negotiated on their respective markets in U.S. dollars and, therefore, although the Corporation pays its suppliers in CAN dollars, the prices it pays for such commodities may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge the exchange rate risk related to the prices of some of those commodities. However, fluctuations of the exchange rate for its commodities purchases that are not hedged could affect the prices the Corporation pays for such commodities and could have an adverse effect on its results of operations.

Volatility

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on issuance of debt securities and increased costs under credit facilities. Disruptions in the capital and credit markets could increase Quebecor's and its subsidiaries' interest expense, thereby adversely affecting their results of operations and financial position.

Quebecor's and its subsidiaries' access to funds under their existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's and its subsidiaries' credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Longer-term volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect Quebecor's and its subsidiaries' access to the liquidity and affordability of funding needed for their businesses in the longer term. Such disruptions could require Quebecor and its subsidiaries to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for their business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's and its subsidiaries' products and increased incidences of customer inability to pay or timely pay for the services or products that it provides. Events such as these could adversely impact Quebecor's and its subsidiaries' results of operations, cash flows, financial position and prospects.

Ethical Business Conduct

Any failure to adhere to Quebecor Media's policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact its financial performance. Quebecor Media's framework for managing ethical business conduct includes the adoption of a code of ethics which its directors and employees are required to acknowledge and agree to on a regular basis, and as part of an independent audit and security function, maintenance of a whistle-blowing hotline. There can be no assurance that these measures will be effective to prevent violations of law or ethical business practices.

Asset impairment charges

In the 2014 financial year and in the past, the Corporation has recorded asset impairment charges which, in some cases, have been material. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flow.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions for it and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation determines to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity and prospects.

Implementation of changes to the structure of its business

Quebecor Media has and it will continue to implement changes to the structure of its business due to many factors such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain its anticipated benefits.

Competition and consolidation of the retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its competitors have pursued a strategy to sell their products through independent retailers to extend their presence on the market and some of its competitors have also acquired certain independent retailers and created new distribution networks. This may result in limiting the expansion of the Corporation retail network and may contribute to isolate the Corporation from its competitors, which could have an adverse effect on its business, prospects and results of operation.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. There are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licenses and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC recently adopted a new Wireless Code which regulates numerous aspects of the provision of retail wireless services. Quebecor Media's wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by Industry Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. On December 17, 2014, an amendment to the *Telecommunications Act* and the *Radiocommunication Act* was adopted to give to the CRTC and Industry Canada the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses to its competitors, or changes in the treatment of the tax deductibility of advertising expenditures, could have a material adverse effect on its business (including how it provides products and services), financial condition, prospects, and results of operations. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts, or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs which Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcasted and may have a material adverse effect on its financial condition and results of operations. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issue and transfer of the shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's Studios, Equipment and Post-Production Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States of America. Some producers may select locations other than Québec to take advantage of tax credit programs they may conclude to be more or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot in a location other than Québec, may have a material adverse effect on the Corporation's business, financial condition and results of operations.

Licence renewals

Videotron's AWS licenses were issued in December 2008 for a 10-year term. At least two years before the end of this term, and any subsequent term, Videotron may apply for a renewed license for a term of up to 10 years. AWS license renewal, including whether license fees should apply for a subsequent license term, will be subject to a public consultation process initiated in the eighth year of the license.

Videotron's 700 MHz licences were issued in April 2014 for a 20-year term. At the end of this term, Videotron expects that new licenses will be issued for a subsequent term through a renewal process, unless a breach of license condition by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses after this term, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, will be determined by Industry Canada following a public consultation.

Provision of Third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to the Corporation's cable network and are thereby providing retail Internet access services.

The CRTC also requires large cable carriers, such as the Corporation, to allow third party ISPs to provide telephony and networking (LAN/VPN) applications in addition to retail Internet access services. As a result of these requirements, the Corporation may experience increased competition for retail cable Internet and residential telephony customers.

In a notice of consultation issued on October 15, 2013, the CRTC initiated a comprehensive review of wholesale services and associated policies. Among the issues considered in this proceeding are whether to extend mandatory wholesale high-speed access services to include fibre-to-the-premises (FTTP) services, or alternatively whether the Commission should forbear from regulating any existing wholesale services, as well as the approaches and principles the Commission relies on to set rates for wholesale services. A public hearing on these matters took place in November and December, 2014, and a ruling is expected by April 2015. As a result of this proceeding, the Corporation may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility (EPR) regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems or possible interference with electronic medical devices, including hearing aids and pacemakers. All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and Quebecor Media cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or expose Quebecor Media to potential litigation. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor and its subsidiaries currently have a substantial amount of debt and significant interest payment requirements. As at December 31, 2014, they had $5.28 billion of consolidated long-term debt. Quebecor's and its subsidiaries' indebtedness could have significant consequences, including the following:

- increase their vulnerability to general adverse economic and industry conditions;
- require them to dedicate a substantial portion of their cash flow from operations to making interest and principal payments on their indebtedness, reducing the availability of their cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit their flexibility in planning for, or reacting to, changes in their businesses and the industries in which Quebecor and its subsidiaries operate;
- place them at a competitive disadvantage compared to competitors that have less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in their indebtedness, their ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor and its subsidiaries have significant indebtedness, as at December 31, 2014, they had approximately $1.37 billion available for additional borrowings under their existing credit facilities on a consolidated basis. If Quebecor or its subsidiaries incur additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's and its subsidiaries' debt instruments contain a number of operating and financial covenants restricting their ability to, among other things:

- incur indebtedness;
- create liens;
- pay dividends on or redeem or repurchase its stock;
- make certain types of investments;
- restrict dividends or other payments from restricted subsidiaries;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor or its subsidiaries are unable to comply with these covenants and are unable to obtain waivers from their creditors, then they would be unable to make additional borrowings under their credit facilities, their indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under their other debt, including its Senior Notes. If Quebecor's and its subsidiaries' indebtedness is accelerated, Quebecor and its subsidiaries may not be able to repay their indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor and its subsidiaries incur additional debt in the future or refinance existing debt, they may be subject to additional covenants, which may be more restrictive than those to which they are currently subject. Even if Quebecor and its subsidiaries are able to comply with all applicable covenants, the restrictions on their ability to manage their business at their sole discretion could adversely affect their business by, among other things, limiting their ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor and its subsidiaries believe would be beneficial to them.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flow of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by these entities to Quebecor. The ability of these entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject to.

The ability of its subsidiaries to generate sufficient cash flow from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as structural changes, many of which are outside of its or their control. If the cash flow and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise, are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flow to satisfy Quebecor's debt obligations, or to refinance these obligations on commercially reasonable terms, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Ability to refinance

Quebecor and its subsidiaries may be required from time to time to refinance certain of their existing debt at or prior to maturity. Quebecor's and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend upon a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor and its subsidiaries on favorable terms, or at all.

Provisions of the Articles that could discourage or prevent a takeover

Provisions in the Corporation's articles and bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. These provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's Directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change of control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

Pierre Karl Péladeau, directly and indirectly, owns substantially all of Quebecor's Class A Shares. The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. Therefore, approximately 73% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of directors and approval of significant corporate transactions, such as amendments to the Corporation's articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing or deterring a change of control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; (ii) to achieve a targeted balance of fixed- and floating-rate debts; and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments are held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
December 31, 2014
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.1198	$	106.3	US$	94.9
2017[2]	1.1204	US$	260.0	$	291.3

Interest rate swaps

Maturity	Notional amount		Pay/ receive	Fixed rate	Floating rate
TVA Group					
December 2017	$	44.0	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023[1]	2007 to 2016	US$ 320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$ 345.6	Bankers’ acceptances 3 months + 2.77%	1.0346
Videotron				
6.375% Senior Notes due 2015	2005 to 2015	US$ 175.0	5.98%	1.1781
9.125% Senior Notes due 2018	2008 to 2018	US$ 75.0	9.64%	1.0215
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers’ acceptances 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

[1] The Corporation initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued on October 11, 2012. In conjunction with the repurposing of these swaps, the Corporation has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued on April 9, 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The gains on valuation and translation of financial instruments for 2014 and 2013 are summarized in Table 15.

Table 15
Loss on valuation and translation of financial instruments
(in millions of CAN dollars)

		2014		2013
Loss on embedded derivatives and derivative financial instruments for which hedge accounting is not used	**$**	**7.9**	$	173.2
Loss on embedded derivatives related to convertible debentures		**91.6**		140.0
(Gain) loss on reversal of embedded derivatives upon debt redemption		**(1.1)**		72.9
Gain on ineffective portion of cash flow hedges		**(0.5)**		(1.7)
Gain on ineffective portion of fair value hedges		**(3.2)**		–
	$	**94.7**	$	384.4

A $14.2 million gain on cash flow hedges was recorded under “Other comprehensive income” in relation to cash flow hedging relationships in 2014 (loss of $45.1 million in 2013).

Fair value of financial instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using period-end market yields or the market value of similar instruments with the same maturity.

The fair value of cash equivalents and bank indebtedness, classified as held for trading and accounted for at their fair value on the consolidated balance sheets, is determined using inputs that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation’s valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors, and underlying instruments adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2014 and 2013 are as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of CAN dollars)

	2014		2013	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1 2]	**$ (5,326.7)**	**$ (5,444.7)**	$ (5,140.7)	(5,200.0)
Convertible debentures[3]	**(711.8)**	**(711.8)**	(615.1)	(615.1)
Derivative financial instruments[4]				
Early settlement options	**8.2**	**8.2**	14.5	14.5
Foreign exchange forward contracts[5]	**4.2**	**4.2**	1.8	1.8
Interest rate swaps	**(0.5)**	**(0.5)**	–	–
Cross-currency interest rate swaps[5]	**294.4**	**294.4**	(53.2)	(53.2)

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of long-term debt excludes the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $298.6 million as of December 31, 2014 (an asset position of $18.6 million as of December 31, 2013).

5 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2014, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2014, 8.5% of trade receivables were 90 days past their billing date (9.8% as of December 31, 2013) of which 57.3% had an allowance for doubtful accounts (46.5% as of December 31, 2013).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2014 and 2013:

	2014	2013
Balance as of beginning of year	**$ 28.4**	$ 29.6
Charged to income	**32.1**	41.3
Utilization	**(34.5)**	(42.5)
Reclassification to assets held for sale	**(4.2)**	–
Balance as of end of year	**$ 21.8**	$ 28.4

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.2 years as of December 31, 2014 (6.9 years as of December 31, 2013). (See also "Contractual Obligations" above.)

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation and its subsidiaries have entered into transactions to hedge the foreign currency risk exposure on their U.S.-dollar-denominated debt obligations outstanding as of December 31, 2014, to hedge their exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The following table summarizes the estimated sensitivity on income and on Other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar as of December 31, 2014:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10		
U.S.-dollar-denominated accounts payable	**$ (1.0)**	**$ –**
Gain on valuation and translation of financial instruments and derivative financial instruments	**2.7**	**49.5**
Decrease of $0.10		
U.S.-dollar-denominated accounts payable	**1.0**	**–**
Gain on valuation and translation of financial instruments and derivative financial instruments	**(2.7)**	**(49.5)**

Interest rate risk

Some of the Corporation's and its subsidiaries' bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2014, after taking into account the hedging instruments, long-term debt was comprised of 82.6 % fixed-rate debt (81.6% in 2013) and 17.4 % floating-rate debt (18.4% in 2013).

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2014 is $8.6 million.

The estimated sensitivity on income and Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2014, as per the Corporation's valuation models, is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of 100 basis points	$ **0.8**	$ **(22.2)**
Decrease of 100 basis points	**(0.8)**	**22.2**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2014 and 2013 is as follows:

Table 17
Capital structure of Quebecor
(in millions of CAN dollars)

	2014	2013
Bank indebtedness	**$ 5.2**	$ 0.5
Long-term debt	**5,278.3**	5,076.5
Liability and derivative components of convertible debentures	**232.2**	140.6
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(298.1)**	51.4
Cash and cash equivalents	**(395.3)**	(476.6)
Net liabilities	**5,322.3**	5,292.4
Equity	**$ 1,063.3**	$ 1,195.4

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

A number of legal proceedings against the Corporation and its subsidiaries are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of these proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Revenue recognition policies for each of the Corporation's main activities are as follows:

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet, cable telephony or mobile telephony, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income. Operating revenues from cable and other services, such as Internet access, cable and mobile telephony, are recognized when services are rendered. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate. Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction of related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction of related equipment sales on activation. Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided.

Revenues from the retail activities are recognized at the time of delivery, net of provisions for estimated returns based on historical rate of returns.

Media

Advertising revenues derived from the sale of advertising airtime are recognized when the advertisement has been broadcast on television. Advertising revenues derived from newspaper and magazine publishing activities are recognized when the publication is delivered. Website advertising is recognized when advertisements are placed on websites.

Revenues derived from subscriptions to specialty television channels are recognized on a monthly basis at the time service is rendered.

Revenues from the sale or distribution of newspapers, magazines and books are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from subscription to online publications are recognized over the period of the subscription.

Sports and Entertainment

Revenues derived from entertainment product distribution are recognized on delivery of the products, net of provisions for estimated returns based on historical rate of returns.

Revenues derived from show production and sporting and cultural event management are recognized once the event or production occurs or when the services are rendered.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. At each balance sheet date, the Corporation reviews whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use of the asset or CGU. Fair value less costs to sell represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived mainly from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment losses been recognized previously.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the asset category.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future. However, since impairment charges were recorded in 2014 in the Newspaper and Broadcasting CGUs, any negative change in the future in the assumptions used for the purpose of realizing the impairment test in these CGUs could result in an additional impairment charge.

The net book value of goodwill as at December 31, 2014 was $2.71 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2014 was $60.5 million.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debt resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in “Other comprehensive income” until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated Other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of these derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statement of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plan and postretirement benefits plan are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to the extent to which the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, the dividend yield, the expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability-classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Changes in Accounting Policies

On January 1, 2014, the Corporation adopted retrospectively IFRIC 21 – *Levies*, which clarifies the timing of accounting for a liability in relation with outflow of resources that is imposed by governments in accordance with legislation, based on the activity that triggers the payment. The adoption of this interpretation did not have a material impact on the consolidated financial statements.

In May 2014, the IFRS Interpretations Committee ("the Committee") published a summary of its meeting discussion on accounting for a financial instrument that is convertible into a variable number of shares subject to a cap or a floor. The Committee noted that different accounting treatments had been used by issuers in the past for this type of instrument. Although interpretation analysis of alternative treatments were expressed and provided by some market participants to the Committee, the Committee decided not to add this issue to its agenda and noted that this instrument should be accounted for as a liability in its entirety. As such, the Corporation retrospectively changed its accounting policy for the accounting of its convertible debentures to be in line with the Committee discussions. Accordingly, the Corporation's convertible debentures are now accounted for as a financial liability and the cap and floor conversion price features are now accounted for separately as embedded derivatives at fair value, with changes in fair value being recorded in income. The following tables summarize the impact of this change in accounting policy on previously reported financial information.

Consolidated statements of income and comprehensive income

		2013
Financial expenses	$	13.6
Loss on valuation and translation of financial instruments		145.5
Deferred income taxes		(4.4)
Net loss and comprehensive loss attributable to shareholders	$	(154.7)
Earnings per share attributable to shareholders		
Basic	$	(1.25)

Consolidated balance sheets

Increase (decrease)		**2014**		2013
Accounts payable and accrued charges	**$**	**(11.6)**	$	(10.7)
Convertible debentures		**500.0**		500.0
Other liabilities[1]		**40.7**		(119.2)
Deferred income tax liability		**25.9**		30.2
Equity component of convertible debentures		**(398.3)**		(398.3)
Retained earnings		**(156.7)**		(2.0)

1 Embedded derivatives related to the convertible debentures are presented with other liabilities.

Recent accounting pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk management activities undertaken by entities.

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based five-step model to be applied to all contracts with customers.

Controls and Procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2014. The design of DCP therefore provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Corporation in its annual, interim and other reports, which it files or releases in accordance with securities laws, is recorded, processed, summarized and reported within the time periods specified under those laws. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2014 and ending December 31, 2014.

Additional Information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in the forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue developing its network and related mobile services;
- general economic, financial or market conditions and variations in the businesses of Quebecor Media's local, regional or national newspaper and broadcasting advertisers;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Quebecor Media's ability to successfully restructure its newspaper operations to optimize their efficiency in the context of the changing newspaper industry;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access and telephony services, and its ability to protect such services from piracy;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets or in an increase in competition, compliance costs or capital expenditures;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and;
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation’s circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the Corporation’s public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the “Risks and Uncertainties” section of this Management Discussion and Analysis.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation’s expectations as of March 11, 2015, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 11, 2015

QUEBECOR INC. AND ITS SUBSIDIARIES
SELECTED FINANCIAL DATA

Years ended December 31, 2014, 2013 and 2012
(in millions of Canadian dollars, except per share data)

	2014	2013 (1)	2012 (1)
Operations			
Revenues	**$ 3,716.1**	$ 3,647.5	$ 3,553.3
Adjusted operating income	**1,398.9**	1,370.1	1,291.7
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**202.3**	177.3	153.2
(Loss) gain on valuation and translation of financial instruments	**(95.3)**	(279.3)	50.9
Unusual items	**(87.8)**	(40.5)	21.0
Discontinued operations	**(49.3)**	(146.1)	(66.0)
Net (loss) income attributable to shareholders	**(30.1)**	(288.6)	159.1
Cash flows provided by continuing operating activities	**959.6**	891.7	1,037.5
Basic data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.64**	$ 1.43	$ 1.21
(Loss) gain on valuation and translation of financial instruments	**(0.77)**	(2.25)	0.40
Unusual items	**(0.71)**	(0.33)	0.17
Discontinued operations	**(0.40)**	(1.18)	(0.52)
Net (loss) income attributable to shareholders	**(0.24)**	(2.33)	1.26
Dividends	**0.10**	0.10	0.10
Equity attributable to shareholders	**4.10**	4.83	7.20
Weighted average number of shares outstanding (in millions)	**123.0**	124.0	126.4
Diluted data per share			
Contribution to net (loss) income attributable to shareholders:			
Continuing operations	**$ 1.51**	$ 1.32	$ 1.18
Dilution impact	**0.13**	0.11	-
(Loss) gain on valuation and translation of financial instruments	**(0.77)**	(2.25)	0.39
Unusual items	**(0.71)**	(0.33)	0.16
Discontinued operations	**(0.40)**	(1.18)	(0.51)
Net (loss) income attributable to shareholders	**(0.24)**	(2.33)	1.22
Diluted weighted average number of shares (in millions)	**123.0**	124.0	132.2
Financial position			
Working capital	**$ 90.2**	$ 75.0	$ (103.1)
Long-term debt	**5,048.2**	4,975.3	4,507.8
Equity attributable to shareholders	**504.0**	599.5	909.7
Equity	**1,063.3**	1,195.4	1,541.0
Total assets	**9,078.5**	9,016.4	9,007.8

(1) Comparative figures have been restated to reflect the change in the accounting policy for the convertible debentures. Refer to note 1b) to the consolidated financial statements for December 2014.

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

				2014				2013
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
				(1)	(1)	(1)	(1)	(1)
Revenues	**$ 989.4**	**$ 911.3**	**$ 916.2**	**$ 899.2**	$ 961.3	$ 905.2	$ 902.1	$ 878.9
Adjusted operating income	**$ 353.1**	**$ 358.9**	**$ 355.5**	**$ 331.4**	$ 356.4	$ 359.5	$ 344.5	$ 309.7
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**50.3**	**56.2**	**53.1**	**42.7**	48.6	55.7	42.1	30.9
(Loss) gain on valuation and translation of financial instruments	**(92.5)**	**(26.9)**	**21.2**	**2.9**	(58.0)	(24.8)	(159.9)	(36.6)
Unusual items	**(32.0)**	**(22.0)**	**(24.1)**	**(9.7)**	(1.1)	(27.8)	(11.3)	(0.3)
Discontinued operations	**14.7**	**37.8**	**(105.0)**	**3.2**	10.8	(191.9)	35.5	(0.5)
Net (loss) income attributable to shareholders	**(59.5)**	**45.1**	**(54.8)**	**39.1**	0.3	(188.8)	(93.6)	(6.5)
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**0.41**	**$ 0.46**	**$ 0.43**	**$ 0.35**	$ 0.39	$ 0.45	$ 0.34	$ 0.25
(Loss) gain on valuation and	**-**							
translation of financial instruments	**(0.75)**	**(0.22)**	**0.17**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)
Unusual items	**(0.26)**	**(0.18)**	**(0.20)**	**(0.08)**	(0.01)	(0.23)	(0.09)	-
Discontinued operations	**0.12**	**0.31**	**(0.85)**	**0.03**	0.09	(1.55)	0.29	-
Net (loss) income attributable to shareholders	**(0.48)**	**0.37**	**(0.45)**	**0.32**	-	(1.53)	(0.75)	(0.05)
Weighted average number of shares outstanding (in millions)	**122.9**	**122.9**	**123.0**	**123.1**	123.5	123.7	124.3	124.7
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.38**	**$ 0.42**	**$ 0.40**	**$ 0.32**	$ 0.36	$ 0.41	$ 0.31	$ 0.23
Dilution impact	**0.03**	**0.04**	**-**	**-**	0.03	0.04	0.03	0.02
(Loss) gain on valuation and translation of financial instruments	**(0.75)**	**(0.22)**	**(0.01)**	**0.02**	(0.47)	(0.20)	(1.29)	(0.30)
Unusual items	**(0.26)**	**(0.18)**	**(0.17)**	**(0.08)**	(0.01)	(0.23)	(0.09)	-
Discontinued operations	**0.12**	**0.31**	**(0.73)**	**0.03**	0.09	(1.55)	0.29	-
Net (loss) income attributable to shareholders	**(0.48)**	**0.37**	**(0.51)**	**0.29**	-	(1.53)	(0.75)	(0.05)
Weighted average number of diluted shares outstanding (in millions)	**122.9**	**122.9**	**143.8**	**144.2**	123.5	123.7	124.3	124.7

(1) Comparative figures have been restated to reflect the change in the accounting policy for the convertible debentures. Refer to note 1b) to the consolidated financial statements for December 2014.

This is Exhibit 53 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

QUEBECOR

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company with an 81.07% interest in Quebecor Media Inc., one of Canada's largest media groups. Quebecor Media's subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, "Quebecor" or "the Corporation" refer to Quebecor Inc. and its subsidiaries, and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

On September 9, 2015, Quebecor Media purchased part of the interest in its equity held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec. All the repurchased shares were cancelled. Upon completion of the transaction, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07%.

During the fourth quarter of 2015, the Corporation changed its organizational structure and transferred its music distribution and production operations from the Sports and Entertainment segment to the Media segment. Accordingly, prior-period figures in the Corporation's segmented reporting have been reclassified to reflect those changes.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: cable services; Internet access; mobile and cable telecommunications; over-the-top video service; business solutions (including data hosting centres); broadcasting; soundstage and equipment leasing and post-production services for the film and television industries; newspaper publishing and distribution; Internet portals and specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music recording, production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier mobile communications and cable service provider. Through its Media segment, Quebecor Media holds leading positions in the creation, promotion and distribution of entertainment, news and Internet-related services designed to appeal to audiences in every demographic. Quebecor Media is pursuing a convergence strategy to capture synergies among all its media properties.

All amounts are stated in Canadian dollars ("CAN dollars") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

DISCONTINUED OPERATIONS

On September 27, 2015, Quebecor Media closed the sale of the retail business of Archambault Group Inc. ("Archambault Group"), including the 14 Archambault stores, the *archambault.ca* portal and the English-language Paragraphe Bookstore, to Groupe Renaud-Bray inc. for a cash consideration of $14.5 million, less disposed-of cash in the amount of $1.1 million, and a $3.0 million balance due. The transaction was approved by the Competition Bureau on September 4, 2015. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On April 13, 2015, Quebecor Media closed the sale, announced on October 6, 2014, of its English-language newspaper businesses in Canada – more than 170 newspapers and publications, the Canoe portal in English Canada, and 8 printing plants, including the Islington, Ontario plant – for a total cash consideration of $305.5 million, less disposed-of cash in the amount of $1.9 million. The payment consisted of the selling price of $316.0 million less $10.5 million for customary adjustments and adjustments related to real estate properties sold by Sun Media Corporation prior to closing. A $1.3 million working capital adjustment was also paid. The transaction was approved by the Competition Bureau on March 25, 2015. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On February 13, 2015, Quebecor Media announced the discontinuation of the operations of the English-language news and opinion specialty channel SUN News. The operating results and cash flows related to that business have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On September 2, 2014, Quebecor Media closed the sale of its Nurun Inc. ("Nurun") subsidiary to the French company Publicis Groupe for a cash consideration of $125.0 million, less disposed-of cash in the amount of $18.1 million. An $8.2 million amount was also received in connection with certain adjustments as part of the transaction. The results of operations and cash flows related to that business, as well as the $41.5 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2014, Quebecor Media closed the sale of 74 Québec weeklies to Transcontinental Interactive Inc. ("Transcontinental Interactive"), a subsidiary of Transcontinental Inc. ("Transcontinental"), for a cash consideration of $75.0 million. A $4.0 million working capital adjustment was also received ($3.4 million in 2014 and $0.6 million in 2015). The transaction was approved by the competent regulatory authorities, specifically the Competition Bureau. The results of operations and cash flows related to those businesses, as well as the $7.9 million gain on the sale, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

Quebecor Media announced that it was abandoning door-to-door distribution of community newspapers and flyers in Québec and discontinuing distribution of the Le Sac Plus doorknob bag as of January 2014. The operating results and cash flows related to those businesses have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

On June 1, 2013, Quebecor Media sold its specialized website *Jobboom* for a cash consideration of $52.1 million, net of disposed-of cash in the amount of $5.4 million, and on November 29, 2013, it sold its specialized website *Réseau Contact* for a cash consideration of $7.1 million, net of disposed-of cash in the amount of $0.4 million. The operating results and cash flows related to those businesses, as well as the $37.6 million gain on the sale of the two websites, have been reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor are included in the analysis of segmented operating results.

HIGHLIGHTS SINCE END OF 2014

- Quebecor's sales totalled $3.88 billion in 2015, a $271.8 million (7.5%) increase compared with 2014.

Telecommunications

- In 2015, the Telecommunications segment grew its revenues by $169.7 million (6.0%) to break through the $3.00 billion mark. Adjusted operating income increased by $32.6 million (2.4%), despite a $21.1 million unfavourable variance in one-time items.
- Videotron recorded strong revenue increases for three of its services in 2015: mobile telephony ($116.0 million or 40.3%), Internet access ($64.6 million or 7.5%), and over-the-top video ($11.4 million or 93.4%).
- Net increase of 168,200 revenue-generating units[1] (3.1%), including increases of 135,800 subscriber connections to the mobile telephone service, the largest 12-month increase since 2011, 79,800 customers for the over-the-top video service, and 30,700 customers for the cable Internet access service.
- Videotron's average monthly revenue per user ("ARPU") increased by $10.52 (8.4%) from $125.16 in 2014 to $135.68 in 2015, including a $5.03 (11.7%) increase in revenues per user from the mobile telephony service.
- On January 7, 2016, Videotron announced the acquisition of Fibrenoire inc. ("Fibrenoire"), which provides fibre-optic connectivity services to businesses, for a cash consideration of $125.0 million, including $120.6 million paid at closing, subject to certain adjustments. Combining the capabilities of Videotron Business Solutions and Fibrenoire will help continue meeting the growing demand from business customers for fibre-optic connectivity, and will strengthen Videotron's leadership in business telecommunications services.
- On October 27, 2015, Videotron announced a multi-year $35.0 million expansion of the 4Degrees Colocation Inc. ("4Degrees Colocation") data hosting centre in Québec City, which was acquired on March 11, 2015 for a $35.5 million consideration. A $0.2 million working capital adjustment was received in June 2015. The project will add two new server rooms to the facility. On September 16, 2015, Videotron announced construction of a 4,000-m^2 data centre in Montréal to provide business customers with the colocation solutions they need for hosting and processing the increasing quantities of data. The $40.0 million investment will be spread over several years.
- On October 15, 2015, the Supreme Court of Canada refused a motion from Bell ExpressVu Limited Partnership ("Bell ExpressVu"), a subsidiary of Bell Canada, to appeal a Québec Court of Appeal judgment ordering it to pay Videotron $135.3 million and TVA Group Inc. ("TVA Group") $0.6 million, including interest, as compensation for having failed to implement an appropriate security system in a timely manner to prevent piracy of its satellite television service's signals between 1999 and 2005, harming its competitors and broadcasters. The $139.1 million gain related to this settlement was recognized in the third quarter of 2015.
- On October 2, 2015, Quebecor Content, a division of Quebecor Media, announced a strategic partnership with NBCUniversal International Studios to develop new entertainment and studio-based formats suitable for global audiences.

[1] The sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

On July 15, 2015, Quebecor Content announced a long-term, multiplatform agreement with Sony Pictures Television Canada (“Sony Canada”), one of the world’s largest producers and distributors of entertainment content. The partnership will allow Videotron to offer a vast selection of movies and television series on its over-the-top video service, and will give TVA Group’s television channels exclusive French-language broadcast rights to productions in Sony Canada’s catalogue.

- On August 27, 2015, Videotron launched Unlimited Music, a service that allows some subscribers to its LTE mobile network to stream music without restriction via the most popular platforms, such as Stingray, Rdio, Google Play, Deezer and Spotify, without using their mobile data plan.
- On August 11, 2015, Videotron released the illico 4K Ultra-HD PVR, thereby becoming the first Canadian telecommunications provider to offer customers throughout its service area an ultra-high-definition (“UHD”) set-top box. UHD is a digital video format that supports 3840 x 2160 pixel resolution, four times as many pixels as high definition (“HD”), delivering superior image quality.
- On May 12, 2015, after the closing of the Innovation, Science and Economic Development (”ISED”) Canada auction for 2500 MHz commercial mobile spectrum, Quebecor Media announced that its Videotron subsidiary was the successful bidder for 18 licences covering all of the Province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver. The licences make it possible to reach approximately 65% of Canada’s population, more than 21 million people. They were acquired at a total cost of $187.0 million.
- On March 6, 2015, Quebecor Media announced that its Videotron subsidiary was the successful bidder for four 30 MHz licences in ISED Canada’s auction for commercial mobile spectrum in the AWS-3 band. The licences for Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario/Outaouais, covering 100% of Québec’s population plus the Ottawa area, were obtained at a total price of $31.8 million.

Media

- The Media segment’s revenues grew by $112.8 million (13.2%) and its adjusted operating income by $11.8 million (20.2%) in 2015.
- According to the fall 2015 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec’s news leaders with more than 3.8 million readers per week across all platforms (print, mobile and Web). TVA Publications Inc. (”TVA Publications“) is now Canada’s largest magazine publisher with 10.8 million readers per week across all platforms.
- On August 26, 2015, to support the promotion of its film production and audiovisual services in Québec and on the international scene, and to modernize their brand image, TVA Group brought all its teams’ strengths and creative talents together behind a brand that already enjoys a firmly established reputation in the industry: MELS.
- During its first season as the exclusive French-language broadcaster of the National Hockey League (“NHL”) playoffs, TVA Sports became the most-watched sports channel in Québec. The audience for the 12 playoff games involving the Montréal Canadiens in the spring of 2015 averaged 1,577,000 and peaked at 2.5 million, for a 49.1% market share. Since the addition of NHL games to its schedule, TVA Sports has significantly increased its subscriber base. At the end of 2015, it stood at more than 2.0 million.
- On April 12, 2015, TVA Group reached an agreement with Transcontinental to acquire 14 magazines, including 4 magazines owned and operated in partnership, as well as 3 websites and custom publishing contracts, for a cash consideration of $55.5 million. A $0.8 million preliminary working capital adjustment was paid in the fourth quarter of 2015. The transaction was announced on November 17, 2014 and approved by the Competition Bureau on March 2, 2015.
- Season 3 of *La Voix* achieved record ratings during its run from January 18 to April 12, 2015. The weekly gala attracted an average audience of 2,787,000 (source: Numeris, French Québec, January 18 to March 29, 2015, T2+) and an average market share of 59%. The creation of value-added multiplatform content around this high-quality television program illustrates Quebecor’s successful convergence strategy, which benefits all its media properties.
- In 2015, the Corporation performed impairment tests on its cash generating units (“CGUs”) and concluded that the recoverable amounts of its Newspapers and Broadcasting CGUs were less than their carrying amount. The recoverable amounts of those CGUs were adversely affected by declining newspaper and commercial printing volumes at the Mirabel printing plant and continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded in the Newspapers CGU. A $60.1 million impairment charge on TVA Network’s broadcasting licences (including $30.1 million without any tax consequences) was recognized for the Broadcasting CGU.

Sports and Entertainment

- On December 21, 2015, Event Management Gestev Inc. (“Gestev”) and Groupe Boucher Sports announced the acquisition of the assets of Marathon de Québec inc. (”Marathon de Québec”). Under the partnership, Gestev will become the producer of major Québec City-area events for runners and walkers at all levels, starting in 2016.
- On September 29, 2015, Quebecor senior management presented the Corporation’s bid for a professional hockey franchise in Québec City to the NHL Executive Committee meeting in New York City. Quebecor had officially filed an application under the NHL expansion process on July 20, 2015.
- The Videotron Centre officially opened on September 8, 2015. The opening ceremonies, held September 12, 2015 before the season opener of the Remparts de Québec of the QMJHL, were broadcast on TVA Sports. On September 16, 2015, the rock band Metallica performed at the Videotron Centre in the first major international event at the multifunctional venue. On September 28, 2015, the Montréal Canadiens and the Pittsburgh Penguins, two NHL teams, played a preseason game at the Videotron Centre before a sell-out crowd of 18,250.
- On April 2, 2015, Quebecor Media announced an eight-year strategic partnership with AEG Facilities, the world leader in sports and entertainment venue management. The AEG Live division will support the Sports and Entertainment segment in booking events, shows and tours for the Videotron Centre.
- On February 3, 2015, Quebecor Media announced a strategic partnership with Live Nation Entertainment, including an alliance with Live Nation Concerts, the global market leader in concert production, and the Ticketmaster ticketing service, which operates in Québec under the name Réseau Admission. On the same date, Quebecor Media formed a strategic partnership with Levy Restaurants for the operation of food concessions at the Videotron Centre.

Financial transactions

- On September 15, 2015, Videotron issued $375.0 million aggregate principal amount of 5.75% Senior Notes maturing on January 15, 2026, for net proceeds of $370.1 million, net of financing fees of $4.9 million. Videotron used the proceeds to repay a portion of the amounts due under its credit facilities.
- On September 9, 2015, the Corporation’s interest in Quebecor Media increased from 75.36% to 81.07% following the repurchase by Quebecor Media of 7,268,324 Common Shares of its capital stock held by CDP Capital for an aggregate purchase price of $500.0 million, payable in cash. All of the purchased shares were cancelled. As a result, CDP Capital’s interest in Quebecor Media was reduced from 24.64% to 18.93%.
- On July 16, 2015, Videotron prepaid and withdrew the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, and unwound the hedges in an asset position. On the same date, Videotron prepaid and withdrew the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered into a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron’s secured revolving credit facility.
- On April 10, 2015, Videotron completed the redemption of the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, and unwound the hedges in an asset position.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 Class B Shares, non-voting, participating, without par value, of TVA Group (“TVA Group Class B Non-Voting Shares”). Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group’s equity increased from 51.5% to 68.4%.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base, and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of upgrading its mobile services infrastructure and costs relating to advancements in Internet access, UHD television and TV everywhere/every platform requiring IP technology. In addition, the demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, as available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, the broadcasting industry is in a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video on demand and mobile devices. Audience fragmentation has prompted many advertisers to review their media placement strategies. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry so as to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want. As well, newspaper circulation, measured by copies sold, has been declining in the entire newspaper industry for several years. Also, the traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategies toward other media. In order to respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including French-language portals and specialized sites.

The Sports and Entertainment segment has recently made and continues to make significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures will be required in order to expand the Sports and Entertainment segment.

INTEREST IN SUBSIDIARIES

As of December 31, 2015, Quebecor held an 81.07% interest in Quebecor Media. On September 9, 2015, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07% following the partial repurchase by Quebecor Media of CDP Capital's interest in its capital stock. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at that date.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2015

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years, with the exception of the changes described under "Discontinued Activities" above and the following change:

On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 TVA Group Class B Non-Voting Shares. Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operations, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary are not calculated in accordance with, or recognized by, IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, gain (loss) on litigation, charge for restructuring of operations and other items, impairment of goodwill and other assets, loss on debt refinancing, income taxes, and (loss) gain on discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its segments.

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below provides a reconciliation of adjusted operating income to net income (loss) as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2015 and 2014 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net income (loss) measure used in the consolidated financial statements
(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2015	2014	**2015**	2014
Adjusted operating income (loss):				
Telecommunications	**$ 1,385.8**	$ 1,353.2	**$ 349.0**	$ 345.4
Media	**70.2**	58.4	**22.3**	13.8
Sports and Entertainment	**(11.7)**	(2.8)	**(3.1)**	(1.0)
Head Office	**(3.6)**	1.0	**(7.4)**	(5.1)
	1,440.7	1,409.8	**360.8**	353.1
Depreciation and amortization	**(693.6)**	(661.1)	**(176.5)**	(173.2)
Financial expenses	**(335.0)**	(350.3)	**(85.7)**	(84.3)
Gain (loss) on valuation and translation of financial instruments	**6.7**	(94.7)	**(87.9)**	(93.2)
Gain (loss) on litigation, charge for restructuring of operations and other items	**116.9**	(49.6)	**(8.0)**	(44.3)
Impairment of goodwill and other assets	**(230.7)**	(81.0)	**(3.7)**	–
Loss on debt refinancing	**(12.1)**	(18.7)	**–**	–
Income taxes	**(93.1)**	(97.2)	**(20.6)**	(24.2)
(Loss) income from discontinued operations	**(19.7)**	(81.6)	**(0.9)**	15.8
Net income (loss)	**$ 180.1**	$ (24.4)	**$ (22.5)**	$ (50.3)

Adjusted Income from Continuing Operations

The Corporation defines adjusted income from continuing operations, as reconciled to net income (loss) attributable to shareholders under IFRS, as net income (loss) attributable to shareholders before gain (loss) on valuation and translation of financial instruments, gain (loss) on litigation, charge for restructuring of operations and other items, impairment of goodwill and other assets, loss on debt refinancing, net of income tax related to adjustments and net income (loss) attributable to non-controlling interests related to adjustments, and before (loss) income from discontinued operations attributable to shareholders. Adjusted income from continuing operations, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operations to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operations is more representative for the purpose of forecasting income. The Corporation's definition of adjusted income from continuing operations may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operations to the net income (loss) attributable to shareholders measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2015 and 2014 presented in Table 3 below is drawn from the unaudited consolidated statements of income.

Table 3

Reconciliation of the adjusted income from continuing operations measure used in this report to the net income (loss) attributable to shareholders measure used in the consolidated financial statements

(in millions of CAN dollars)

	Year ended December 31		Three months ended December 31	
	2015	2014	**2015**	2014
Adjusted income from continuing operations	**$ 239.9**	$ 209.7	**$ 58.0**	$ 50.6
Gain (loss) on valuation and translation of financial instruments	**6.7**	(94.7)	**(87.9)**	(93.2)
Gain (loss) on litigation, charge for restructuring of operations and other items	**116.9**	(49.6)	**(8.0)**	(44.3)
Impairment of goodwill and other assets	**(230.7)**	(81.0)	**(3.7)**	–
Loss on debt refinancing	**(12.1)**	(18.7)	**–**	–
Income taxes related to adjustments[1]	**2.8**	15.5	**4.0**	1.7
Net income attributable to non-controlling interest related to adjustments	**42.1**	47.8	**3.5**	12.8
Discontinued operations	**(13.8)**	(59.1)	**(0.7)**	12.9
Net income (loss) attributable to shareholders	**$ 151.8**	$ (30.1)	**$ (34.8)**	$ (59.5)

[1] Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash Flows from Segment Operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free Cash Flows from Continuing Operating Activities of the Quebecor Media Subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services, per average basic customer. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing its combined revenues from its cable television, Internet access, cable and mobile telephony and over-the-top video services by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2015/2014 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.88 billion, a $271.8 million (7.5%) increase.

- Revenues increased in Telecommunications ($169.7 million or 6.0% of segment revenues), Media ($112.8 million or 13.2%), and Sports and Entertainment ($16.1 million).

Adjusted operating income: $1.44 billion, a $30.9 million (2.2%) increase.

- Adjusted operating income increased in Telecommunications ($32.6 million or 2.4% of segment adjusted operating income), despite a $21.1 million unfavourable variance in one-time items, and in Media ($11.8 million or 20.2%).
- Unfavourable variance in Sports and Entertainment ($8.9 million) and at Head Office ($4.6 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $4.9 million favourable variance in the stock-based compensation charge in 2015 compared with 2014. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $9.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2015.

Net income attributable to shareholders: $151.8 million ($1.24 per basic share) in 2015, compared with a net loss attributable to shareholders of $30.1 million ($0.24 per basic share) in the same period of 2014, a favourable variance of $181.9 million ($1.48 per basic share).

- The favourable variance was due primarily to:
  - $166.5 million favourable variance in the gain (loss) on litigation, charge for restructuring of operations and other items, including $34.3 million without any tax consequences;
  - $101.4 million favourable variance in gains and losses on valuation and translation of financial instruments, including $102.1 million without any tax consequences;
  - $61.9 million favourable variance in the loss related to discontinued operations;
  - $30.9 million increase in adjusted operating income;
  - $15.3 million decrease in financial expenses;
  - $6.6 million favourable variance in losses on debt refinancing.

  Partially offset by:
  - $149.7 million increase in non-cash charge for impairment of goodwill and other assets, including $60.3 million without any tax consequences;
  - $32.5 million increase in the depreciation and amortization charge;
  - $22.6 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operations: $239.9 million ($1.95 per basic share) in 2015, compared with $209.7 million ($1.70 per basic share) in 2014, an increase of $30.2 million ($0.25 per basic share).

Depreciation and amortization: $693.6 million in 2015, a $32.5 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the LTE network and expenditures resulting from the promotional strategy focused on equipment leasing, partially offset by the cessation of amortization of spectrum licences in accordance with a change in the estimate of their useful life (*see* "Change in Accounting Estimates" below).

Financial expenses: $335.0 million, a $15.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower average indebtedness.

Gain on valuation and translation of financial instruments: $6.7 million in 2015 compared with a $94.7 million loss in 2014. The $101.4 million favourable variance was essentially due to the favourable variance (without any tax consequences) in the gain (loss) on embedded derivatives related to convertible debentures.

Gain on litigation, charge for restructuring of operations and other items: $116.9 million in 2015, compared with a $49.6 million loss in 2014, a $166.5 million favourable variance.

- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for having neglected to implement an appropriate security system in a timely manner to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada dismissed Bell ExpressVu's motion to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in 2015. In 2014, the Telecommunications segment recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron. Videotron has applied for leave to appeal. A $1.0 million interest expense was recorded in 2015 in connection with this ruling.
- In 2015, the Telecommunications segment recognized an $8.8 million charge for restructuring of operations ($1.8 million in 2014), mainly because of migration from analog to digital cable television service. The segment also recognized a $0.3 million charge for other items in 2015 ($3.4 million in 2014).
- A $9.8 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in 2015 ($6.5 million in 2014). The segment also recognized a $0.7 million charge for other items in 2015 ($2.7 million in 2014).
- The other segments recorded charges for restructuring of operations and other items of $1.6 million in 2015 ($0.9 million in 2014).

Charge for impairment of goodwill and other assets: $230.7 million in 2015, compared with $81.0 million in 2014, a $149.7 million unfavourable variance.

- In 2015, Quebecor Media performed impairment tests on its CGUs and concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. The recoverable amount of those CGUs was adversely affected by declining newspaper and commercial printing volumes, and by continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded in the Newspapers CGU in 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized for the Broadcasting CGU in 2015. A $3.7 million impairment charge on intangible assets was also recognized in 2015 in other segments.
- In 2014, Quebecor Media performed impairment tests on its Newspapers and Broadcasting CGUs. Accordingly, a $30.0 million non-cash impairment charge (without any tax consequences) was recorded in the Newspapers CGU, as well as a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences), and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) in the Broadcasting CGU.

Loss on debt refinancing: $12.1 million in 2015, compared with $18.7 million in 2014, a $6.6 million favourable variance.

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.
- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other comprehensive income."

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018, at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in "Other comprehensive income."

Income tax expense: $93.1 million in 2015 (effective tax rate of 23.4%), compared with $97.2 million (effective tax rate of 29.0%) in 2014, a $4.1 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The impact of the increase in taxable income was outweighed by the impact of the decrease in the effective tax rate.
- The favourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,806,000 homes and businesses. It offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones, Internet access service, analog cable television and digital cable television ("illico Digital TV") services, including video on demand, pay-per-view and pay TV, as well as cable telephony and over-the-top video. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

<u>2015 operating results</u>

Revenues: $3.00 billion in 2015, a $169.7 million (6.0%) increase.

- Revenues from the mobile telephony service increased $116.0 million (40.3%) to $403.7 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $64.6 million (7.5%) to $920.7 million. The favourable variance was mainly due to higher per-subscriber revenues, increased usage, higher revenues from Internet access resellers, and customer base growth.
- Combined revenues from all cable television services decreased $21.0 million (-2.0%) to $1.05 billion, due primarily to the impact of the net decrease in the customer base, higher discounts and the decrease in pay TV and video-on-demand orders, partially offset by higher per-subscriber revenues and increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $17.1 million (-3.6%) to $458.0 million, mainly because of higher discounts, lower long-distance revenues and the impact of the net decrease in subscribers.
- Revenues from the over-the-top video service increased $11.4 million (93.4%) to $23.6 million, mainly because of subscriber growth.
- Revenues of Videotron Business Solutions increased $3.5 million (5.3%) to $69.1 million.
- Revenues from customer equipment sales increased $12.0 million (26.3%) to $57.6 million, mainly because of the growth in the number of subscriber connections to the mobile service and increased sales of more powerful equipment.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $1.5 million (-14.2%) to $9.1 million, mainly because of the impact of store closings and lower franchise fee revenues.
- Other revenues increased $1.8 million (18.7%) to $11.4 million.

ARPU: $135.68 in 2015 compared with $125.16 in 2014, a $10.52 (8.4%) increase, including a $5.03 (11.7%) increase in revenues per user from the mobile telephony service.

Customer statistics

Revenue-generating units – As of December 31, 2015, the total number of revenue-generating units stood at 5,647,500, an increase of 168,200 (3.1%) in 2015, compared with an increase of 237,200 in 2014 (Table 4). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and over-the-top video services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony – As of December 31, 2015, the number of subscriber connections to the mobile telephony service stood at 768,600, an increase of 135,800 (21.5%) in 2015, compared with an increase of 128,500 in 2014 (Table 4).

Cable Internet access – As of December 31, 2015, the number of subscribers to cable Internet access services stood at 1,568,200, an increase of 30,700 (2.0%) in 2015, compared with an increase of 31,500 in 2014 (Table 4). At December 31, 2015, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,806,000 homes and businesses passed by Videotron's network as of the end of December 2015, up from 2,777,300 at the end of 2014) of 55.9% compared with 55.4% a year earlier.

Cable television – The combined customer base for all Videotron cable television services decreased by 45,400 (-2.5%) in 2015, compared with a decrease of 42,800 in 2014 (Table 4). At the end of 2015, Videotron had 1,736,900 subscribers to its cable television services. The household and business penetration rate was 61.9% versus 64.2% a year earlier.

- As of December 31, 2015, the number of subscribers to the illico Digital TV service stood at 1,570,600, an increase of 17,000 (1.1%) in 2015, compared with an increase of 26,200 in 2014. As of December 31, 2015, illico Digital TV had a household and business penetration rate of 56.0% versus 55.9% a year earlier.
- The customer base for analog cable television services decreased by 62,400 (-27.3%) in 2015, compared with a decrease of 69,000 in 2014, partly as a result of customer migration from analog to digital TV.

Cable telephony – As of December 31, 2015, the number of subscribers to the cable telephony service stood at 1,316,300, a decrease of 32,700 (-2.4%) in 2015, compared with an increase of 500 in 2014 (Table 4). At December 31, 2015, the cable telephony service had a household and business penetration rate of 46.9% versus 48.6% a year earlier.

Over-the-top video – As of December 31, 2015, the number of subscribers to the over-the-top video service stood at 257,500, an increase of 79,800 (44.9%) in 2015, compared with an increase of 119,500 in 2014 (Table 4).

Table 4
Telecommunications segment year-end customer numbers (2011-2015)
(in thousands of customers)

	2015	2014	2013	2012	2011
Mobile telephony[1]	**768.6**	632.8	504.3	403.8	290.7
Cable Internet	**1,568.2**	1,537.5	1,506.0	1,444.0	1,359.6
Cable television:					
Analog[2]	**166.3**	228.7	297.7	374.1	463.9
Digital[2]	**1,570.6**	1,553.6	1,527.4	1,480.9	1,397.6
	1,736.9	1,782.3	1,825.1	1,855.0	1,861.5
Cable telephony[1]	**1,316.3**	1,349.0	1,348.5	1,316.3	1,245.9
Over-the-top video[2]	**257.5**	177.7	58.2	–	–
Total (revenue-generating units)	**5,647.5**	5,479.3	5,242.1	5,019.1	4,757.7

1 In thousands of connections.
2 Customer statistics have been restated for the years 2011-2014 to reflect certain reclassifications in cable television and the addition of the over-the-top video service.

Adjusted operating income: $1.39 billion, a $32.6 million (2.4%) increase caused primarily by:

- impact of revenue increase.

Partially offset by:

- increases in some operating expenses, including professional fees, engineering, customer service, advertising, and administration;
- impact of the increased loss incurred on mobile device sales;
- higher royalty costs at the cable television service, partly reflecting the unfavourable impact of a one-time retroactive adjustment of $7.2 million recorded in 2014;
- $13.9 million unfavourable impact of recognition of other one-time items, including $10.6 million in provisions for legal disputes;
- $3.8 million increase in stock-based compensation charge.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.9% in 2015 compared with 52.3% in 2014. The increase was due primarily to the increase in some operating expenses, the impact of the increased loss incurred on mobile device sales, higher royalty costs at the cable television service, the impact of recognition of other one-time items, and an increase in the stock-based compensation charge.

Cash flows from operations

Cash flows from segment operations: $666.5 million in 2015 compared with $665.3 million in 2014 (Table 5).

- The $32.6 million increase in adjusted operating income was offset by a $30.3 million increase in additions to property, plant and equipment and to intangible assets, caused primarily by the impact of the promotional strategy focused on equipment leasing, spending on the construction and enlargement of data centres, and spending on the LTE network.

Table 5: Telecommunications
Cash flows from operations
(in millions of CAN dollars)

		2015		2014
Adjusted operating income	$	**1,385.8**	$	1,353.2
Additions to property, plant and equipment		**(630.2)**		(606.1)
Additions to intangible assets (excluding spectrum acquisitions)		**(93.5)**		(87.3)
Proceeds from disposal of assets		**4.4**		5.5
Cash flows from segment operations	**$**	**666.5**	$	665.3

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik^{TV}, Argent, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group is engaged in commercial production, dubbing, custom publishing and premedia services through TVA Accès inc., and in the distribution of audiovisual products through its TVA Films division.

Through its subsidiaries TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language magazines in various categories, including show business, television, fashion, sports, and decorating. It is the largest magazine publisher in Canada.

TVA Group also operates a number of websites. Its leading sites by traffic are *tvanouvelles.ca*, *tvasports.ca*, *canadianliving.com*, and *recettes.qc.ca*.

TVA Group owns substantially all the assets of A.R. Global Vision Ltd. – now operated by Mels Studios and Postproduction G.P. (“MELS”) – which provides soundstage and equipment leasing, post-production and visual effects services to the film and television industries.

The Media segment of Quebecor Media also operates two paid-circulation daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, and a free daily, *24 heures Montréal*. According to corporate figures, the aggregate circulation of the Media segment’s paid and free newspapers as of December 31, 2015 was approximately 2.6 million copies per week in print and 0.8 million copies in electronic formats.

The paid-circulation newspapers disseminate information in traditional print form, as well as through two urban daily news portals, j*ournaldemontreal.com* and *journaldequebec.com*. The Media segment also operates *canoe.ca,* a French-language portal that provides news and services for the general public, and the e-commerce sites *micasa.ca* (real estate) and *autonet.ca* (automobiles).

The Media segment’s portals log 6.5 million unique visitors per month in Canada (source: ComScore – December 2015).

The Media segment is engaged in the printing of newspapers, the distribution of newspapers and magazines, and in out-of-home advertising. It also operates Studios Goji inc., a talent collective that serves creators of online video content by providing personalized assistance in the development of new multiplatform business opportunities and by supporting creation. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties and to outside customers, as well as Quebecor Media Sales, which offers customers integrated, diversified, complete advertising services.

The Media segment owns CEC Publishing Inc., a publisher of school books, and Sogides Inc., which is engaged in general literature publishing through its 18 publishing houses, and in the physical and digital distribution of books through Messageries A.D.P. inc., the exclusive distributor for approximately 200 Québec and European French-language publishers.

Finally, the Media segment is engaged in the distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); and in recording live concerts.

2015 operating results

Revenues: $964.5 million in 2015, a $112.8 million (13.2%) increase.

- Broadcasting revenues increased $48.3 million (12.7%), mainly due to:
  - o increased advertising and subscription revenues at the specialty services, mainly TVA Sports, due primarily to the addition of NHL hockey broadcasts.

  Partially offset by:
  - o lower advertising revenues at TVA Network.
- The acquisition of substantially all of the assets of MELS in December 2014 had a favourable impact, generating film production and audiovisual revenues in the amount of $60.1 million in 2015.
- Newspaper publishing revenues decreased by $37.1 million (-14.5%).
  - o Advertising revenues decreased 14.4%; circulation revenues decreased 2.8%; digital revenues increased 7.3%; combined revenues from commercial printing and other sources decreased 26.2%.
- Magazine publishing revenues increased by $43.9 million (70.1%) in 2015, mainly because of the impact of the acquisition of magazines from Transcontinental on April 12, 2015, partially offset by the decrease in same-store revenues.
- Quebecor Media Out of Home's revenues increased by $2.5 million (26.0%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues were flat.
- Music distribution and production revenues increased by $3.5 million (6.5%) mainly because of higher CD sales, due primarily to the release of singer-songwriter Adele's hit album in 2015.

Adjusted operating income: $70.2 million in 2015, an $11.8 million (20.2%) increase.

- Adjusted income from broadcasting operations increased $5.9 million (29.9%) to $25.6 million in 2015 due to:
  - o impact of higher subscription and advertising revenues at TVA Sports;
  - o lower operating expenses at TVA Network, including content costs and production expenses. The decrease in content costs also reflects the impact of adjustments made in 2014 to the cost of certain prior-year broadcasting rights related to indemnification clauses.

  Partially offset by:
  - o spending on content at TVA Sports;
  - o impact of decrease in TVA Network's advertising revenues.
- The acquisition of substantially all of the assets of MELS, which generated adjusted operating income in the amount of $14.1 million in 2015, had a favourable impact.
- Adjusted operating income from newspaper publishing decreased $9.7 million (-39.3%) due to:
  - o impact of revenue decrease.

  Partially offset by:
  - o favourable impact on adjusted operating income of reduced operating expenses, including a $6.3 million favourable impact related to restructuring initiatives.
- Adjusted operating income from magazine publishing operations decreased by $2.0 million (-20.6%), mainly as a result of:
  - o impact of decrease in same-store revenues.

  Partially offset by:
  - o impact of acquisition of magazines from Transcontinental;

  - o decreases in some operating expenses, including labour costs.

- The adjusted operating loss of Quebecor Media Out of Home decreased by $1.2 million as a result of the impact of the increase in revenues.
- Adjusted operating income from book distribution and publishing decreased by $0.3 million (-3.4%).
- Adjusted operating income from music distribution and production increased by $2.4 million, mainly because of the impact of higher revenues and lower operating expenses.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 92.7% in 2015 compared with 93.1% in 2014. The favourable impact of the acquisition of substantially all of the assets of MELS and the impact of decreased operating expenses at TVA Network and newspaper publishing were largely offset by spending on content at TVA Sports and the impact of the decrease in newspaper revenues on a same-store basis (as the fixed component of operating costs does not fluctuate in proportion to the decrease in revenues).

Cash flows from operations

Cash flows from segment operations: $24.9 million in 2015 compared with $16.9 million in 2014 (Table 6). The $8.0 million favourable variance was due primarily to the $11.8 million increase in adjusted operating income, partially offset by the $3.9 million increase in additions to property, plant and equipment.

Table 6: Media
Cash flows from operations
(in millions of CAN dollars)

		2015		2014
Adjusted operating income	**$**	**70.2**	$	58.4
Additions to property, plant and equipment		**(36.0)**		(32.1)
Additions to intangible assets		**(9.3)**		(9.3)
Proceeds from disposal of assets		**–**		(0.1)
Cash flows from segment operations	**$**	**24.9**	$	16.9

Sports and Entertainment

The Sports and Entertainment segment includes the operations of the Videotron Centre following ratification in 2011 of an agreement between Quebecor Media and Québec City for usage and naming rights to the arena through 2040. The segment's activities include production and coproduction of shows presented at the Videotron Centre and rental of the arena.

The Sports and Entertainment segment also includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec, the operations of Québec City sports and cultural events manager Gestev, concert production by Musicor Spectacles, and production of concert videos and television commercials by Les Productions Select TV inc.

On July 20, 2015, Quebecor officially filed an application for a professional hockey franchise in Québec City under the NHL expansion process.

2015 operating results

Revenues: $23.2 million in 2015 compared with $7.1 million in 2014. The $16.1 million increase was mainly due to the favourable impact on revenues of the acquisition of the Remparts de Québec of the QMJHL in November 2014 and the addition of revenues from events at the Videotron Centre.

Adjusted operating loss: $11.7 million in 2015 compared with $2.8 million in 2014. The $8.9 million unfavourable variance was due primarily to the startup of Videotron Centre management operations.

Cash flows from operations

Cash flows from segment operations: Negative $58.3 million in 2015 compared with negative $8.2 million in 2014 (Table 7).

- The $50.1 million unfavourable variance was due primarily to the payment of $33.0 million to Québec City for 25-year naming rights to the new Videotron Centre, plus spending on leasehold improvements and startup of the arena, combined with an $8.9 million increase in the adjusted operating loss.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of CAN dollars)

	2015	2014
Adjusted operating loss	**$ (11.7)**	$ (2.8)
Additions to property, plant and equipment	**(12.0)**	(5.3)
Additions to intangible assets	**(34.6)**	(0.1)
Cash flows from segment operations	**$ (58.3)**	$ (8.2)

2015/2014 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $1.02 billion, a $67.1 million (7.0%) increase.

- Revenues increased in all segments: Telecommunications ($43.9 million or 6.0% of segment revenues), Media ($21.6 million or 8.8%), and Sports and Entertainment ($8.2 million).

Adjusted operating income: $360.8 million, a $7.7 million (2.2%) increase.

- Adjusted operating income increased in Media ($8.5 million or 61.6% of segment adjusted operating income) and in Telecommunications ($3.6 million or 1.0%), despite an $11.9 million unfavourable variance in one-time items in the latter segment.
- There were unfavourable variances in adjusted operating income in Sports and Entertainment ($2.1 million) and at Head Office ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.5 million favourable variance in the stock-based compensation charge in the fourth quarter of 2015 compared with the same period of 2014. The change in the fair value of Quebecor stock options resulted in a $2.9 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2015.

Net loss attributable to shareholders: $34.8 million ($0.28 per basic share) in the fourth quarter of 2015, compared with $59.5 million ($0.48 per basic share) in the same period of 2014, a favourable variance of $24.7 million ($0.20 per basic share).

- The favourable variance was due primarily to:
  - $36.3 million favourable variance in the loss on litigation, charge for restructuring of operations and other items, including $34.3 million without any tax consequences;
  - $7.7 million increase in adjusted operating income;
  - $5.3 million favourable variance in the loss on valuation and translation of financial instruments.

  Partially offset by:
  - $16.7 million unfavourable variance in losses and gains on discontinued operations;
  - $3.7 million increase in non-cash charge for impairment of goodwill and other assets;
  - $3.3 million increase in the depreciation and amortization charge;
  - $3.1 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operations: $58.0 million ($0.47 per basic share) in the fourth quarter of 2015, compared with $50.6 million ($0.41 per basic share) in the same period of 2014, an increase of $7.4 million ($0.06 per basic share).

Depreciation and amortization charge: $176.5 million, a $3.3 million increase due essentially to the same factors as those noted above in the 2015/2014 financial year comparison.

Financial expenses: $85.7 million, a $1.4 million increase caused mainly by lower interest revenues on cash and cash equivalent balances, partially offset by the impact of lower interest rates on long-term debt due to debt refinancing at lower interest rates.

Loss on valuation and translation of financial instruments: $87.9 million in the fourth quarter of 2015 compared with $93.2 million in the fourth quarter of 2014. The $5.3 million favourable variance was due primarily to the decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures.

Loss on litigation, charge for restructuring of operations and other items: $8.0 million in the fourth quarter of 2015, compared with $44.3 million in the same period of 2014, a $36.3 million favourable variance.

- In the fourth quarter of 2015, the Telecommunications segment recognized a $3.0 million charge for restructuring of operations ($0.8 million in the same period of 2014), mainly because of migration from analog to digital cable television service. The segment also recorded a $0.5 million reversal of the charge for other items in the fourth quarter of 2015 ($3.4 million expense in the fourth quarter of 2014).

- In the fourth quarter of 2014, the Telecommunications segment recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron. Videotron has applied for leave to appeal. A $1.0 million interest expense was recorded in 2015 in connection with this ruling.
- A $4.2 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in the fourth quarter of 2015 ($3.1 million in the same period of 2014). The segment also recorded a $2.8 million charge for other items in the fourth quarter of 2014.
- The other segments recorded charges for restructuring and other items in the amount of $0.3 million in the fourth quarter of 2015 ($0.1 million gain in the same period of 2014).

Charge for impairment of goodwill and other assets: $3.7 million in the fourth quarter of 2015, reflecting impairment of intangible assets in some segments.

Income tax expense: $20.6 million in the fourth quarter of 2015 (effective tax rate of 25.6%) compared with $24.2 million in the same period of 2014 (effective tax rate of 30.1%), a $3.6 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The favourable variance in the income tax expense was due to the lower effective tax rate.
- The favourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $777.1 million, a $43.9 million (6.0%) increase essentially due to the same factors as those noted above in the 2015/2014 financial year comparison.

- Revenues from mobile telephony service increased $28.0 million (33.5%) to $111.5 million.
- Revenues from Internet access services increased $22.0 million (10.1%) to $239.5 million.
- Combined revenues from all cable television services decreased $4.7 million (-1.8%) to $263.5 million.
- Revenues from cable telephony service decreased $9.1 million (-7.5%) to $111.5 million.
- Revenues from the over-the-top video service increased $2.2 million (45.8%) to $7.0 million.
- Revenues of Videotron Business Solutions increased $1.3 million (7.7%) to $18.1 million.
- Revenues from customer equipment sales increased $4.0 million (24.2%) to $20.5 million.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.6 million (-20.0%) to $2.4 million.
- Other revenues increased $0.6 million (24.0%) to $3.1 million.

ARPU: $140.19 in fourth quarter 2015, compared with $129.36 in the same period of 2014, a $10.83 (8.4%) increase.

Customer statistics

Revenue-generating units – 41,600-unit increase (0.7%) in the fourth quarter of 2015, compared with an increase of 59,100 in the same period of 2014.

Mobile telephony – 26,100 (3.5%) increase in subscriber connections in the fourth quarter of 2015, compared with an increase of 42,400 in the same period of 2014.

Cable Internet access – 8,700-customer increase (0.6%) in the fourth quarter of 2015, compared with an increase of 3,700 in the same period of 2014.

Cable television – 9,000 (-0.5%) decrease in the combined customer base for all Videotron's cable television services in the fourth quarter of 2015, compared with a decrease of 14,000 in the same period of 2014.

- illico Digital TV: 6,000 subscriber increase (0.4%) in the fourth quarter of 2015, compared with an increase of 8,700 in the same period of 2014.
- Analog cable TV: 15,000-subscriber decrease (-8.3%) in the fourth quarter of 2015, compared with a decrease of 22,700 in the same period of 2014.

Cable telephony – 13,200-customer decrease (-1.0%) in the fourth quarter of 2015, compared with a decrease of 7,000 in the same period of 2014.

Over-the-top video – 29,000-subscriber increase (12.7%) in the fourth quarter of 2015, compared with an increase of 34,000 in the same period of 2014.

Adjusted operating income: $349.0 million, a $3.6 million (1.0%) increase due primarily to:

- impact of revenue increase.

Partially offset by:

- higher royalty costs at the cable television service, partly reflecting the unfavourable impact of a one-time retroactive adjustment of $7.2 million recorded in the same period of 2014;
- $4.6 million unfavourable impact of recognition of other one-time items;
- increases in some operating expenses, primarily professional fees, advertising, marketing, and engineering;
- higher costs for illico set-top boxes and impact of the increased loss incurred on mobile device sales.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 55.1% in the fourth quarter of 2015, compared with 52.9% in the same period of 2014. The increase was due primarily to higher royalty costs at the cable television service, the impact of recognition of other one-time items, increases in some operating expenses, the impact of higher costs for illico set-top boxes, and the increased loss incurred on mobile device sales.

Media

Revenues: $267.4 million in the fourth quarter of 2015, a $21.6 million (8.8%) increase.

- Broadcasting revenues increased $6.8 million (5.9%), mainly due to:
  - increased subscription and advertising revenues at the specialty services, including TVA Sports and LCN;
  - higher revenues from commercial production and TVA Films.

  Partially offset by:
  - decrease in TVA Network's advertising revenues.
- The acquisition of substantially all of the assets of MELS generated revenues in the amount of $11.8 million.
- Newspaper publishing revenues decreased by $15.0 million (-22.5%).
  - Advertising revenues decreased 16.0%; circulation revenues were flat; digital revenues increased 11.8%; combined revenues from commercial printing and other sources decreased 52.6%.
- Magazine publishing revenues more than doubled to $32.5 million in the fourth quarter of 2015, mainly because of the impact of the acquisition of magazines from Transcontinental.
- Quebecor Media Out of Home's revenues increased $0.8 million (27.6%), mainly because of new digital advertising revenues.
- Book distribution and publishing revenues decreased by $2.5 million (-8.3%), primarily as a result of decreased bookstore and mass market distribution volumes.
- Music distribution and production revenues increased by $4.0 million (18.7%) mainly because of higher CD sales, due primarily to the release of singer-songwriter Adele's hit album.

Adjusted operating income: $22.3 million in the fourth quarter of 2015, an $8.5 million (61.6%) increase.

- Adjusted income from broadcasting operations increased by $8.9 million to $14.0 million in the fourth quarter of 2015 due primarily to:
  - impact of increased subscription and advertising revenues at the specialty services, including TVA Sports and LCN;
  - lower operating expenses at TVA Sports and TVA Network.
- Favourable impact of the acquisition of substantially all of the assets of MELS, which generated adjusted operating income in the amount of $1.0 million in the fourth quarter of 2015.
- Adjusted operating income from newspaper publishing decreased $2.9 million (-56.9%) due to:
  - impact of revenue decrease.

  Partially offset by:
  - favourable impact on adjusted operating income of reduced operating expenses, including a $1.2 million favourable impact related to restructuring initiatives.
- Adjusted operating income from magazine publishing increased by $0.1 million (5.9%).
- The adjusted operating loss of Quebecor Media Out of Home decreased by $0.1 million.
- Adjusted operating income from book distribution and publishing decreased by $0.9 million (-60.0%) because of the impact of the decrease in revenues and lower margins.
- Adjusted operating income from music distribution and production increased by $0.8 million (50.0%), mainly because of the impact of higher revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 91.7% in the fourth quarter of 2015 compared with 94.4% in the same period of 2014. The decrease was due primarily to the favourable impact of the acquisition of substantially all of the assets of MELS, higher subscription revenues at TVA Sports and LCN, and the impact of decreased operating expenses at TVA Sports and TVA Network.

Sports and Entertainment

Revenues: $10.1 million, an $8.2 million increase from the fourth quarter of 2014, mainly due to the favourable impact on revenues of the acquisition of the Remparts de Québec of the QMJHL in November 2014, and the addition of revenues from events at the Videotron Centre.

Adjusted operating loss: $3.1 million in the fourth quarter of 2015 compared with $1.0 million in the same period of 2014. The $2.1 million unfavourable variance was due primarily to the startup of Videotron Centre management operations, partially offset by the impact of the revenue increase.

2014/2013 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.61 billion, a $68.9 million (1.9%) increase.

- Revenues increased in Telecommunications ($111.3 million or 4.1% of segment revenues) and Sports and Entertainment ($2.1 million or 42.0%).
- Revenues decreased in Media ($34.5 million or -3.9%).

Adjusted operating income: $1.41 billion, a $29.4 million (2.1%) increase.

- Adjusted operating income increased in Telecommunications ($60.4 million or 4.7% of segment adjusted operating income) and Head Office ($8.1 million). The increase at Head Office was mainly due to the favourable variance in the fair value of stock options.
- Adjusted operating income decreased in Media ($36.8 million or -38.7%) and Sports and Entertainment ($2.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.4 million unfavourable variance in the stock-based compensation charge in 2014 compared with 2013. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $20.8 million favourable variance in the Corporation's stock-based compensation charge in 2014.

Net loss attributable to shareholders: $30.1 million ($0.24 per basic share) in 2014, compared with $288.6 million ($2.33 per basic share) in 2013, a favourable variance of $258.5 million ($2.09 per basic share).

- The favourable variance was due primarily to:
  - $289.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including a $48.4 million favourable variance in convertible debentures, without any tax consequences;
  - $135.0 million favourable variance in losses from discontinued operations;
  - $37.3 million decrease in financial expenses;
  - $29.4 million increase in adjusted operating income.

  Partially offset by:
  - $54.6 million unfavourable variance in non-cash charge for impairment of goodwill and other assets (including $28.4 million without any tax consequences), minus related non-controlling interest;
  - $39.1 million unfavourable variance in the loss on litigation, charge for restructuring of operations and other items (including $34.3 million without any tax consequences);
  - $37.2 million increase in the depreciation and amortization charge.

Adjusted income from continuing operations: $209.7 million ($1.70 per basic share) in 2014, compared with $185.3 million ($1.49 per basic share) in 2013, an increase of $24.4 million ($0.21 per basic share).

Depreciation and amortization charge: $661.1 million in 2014, a $37.2 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including amortization of expenditures related to the promotional strategy focused on equipment leasing, to investments in the LTE network, and to modernization and expansion of the wired and wireless networks.

Financial expenses: $350.3 million, a $37.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower indebtedness.

Loss on valuation and translation of financial instruments: $94.7 million in 2014 compared with $384.4 million in 2013. The $289.7 million favourable variance was mainly due to the variance in the fair value of early settlement options caused by fluctuations in valuation assumptions, including interest rates and credit premiums implicit in the adjusted prices of the underlying instruments, to the $48.4 million decrease (without any tax consequences) in the loss on embedded derivatives related to convertible debentures, and to losses on reversal of embedded derivatives recognized in 2013 in connection with debt redemption.

Loss on litigation, charge for restructuring of operations and other items: $49.6 million in 2014, compared with a $10.5 million loss in 2013, a $39.1 million unfavourable variance.

- In 2014, the Telecommunications segment recorded a $1.8 million restructuring charge ($0.7 million in 2013) and a $3.4 million asset impairment charge. The segment also recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron.
- In 2014, a $6.5 million net charge for restructuring of operations was recorded in the Media segment with respect to staff-reduction programs ($6.7 million in 2013). In 2014, the Media segment also recognized a $2.7 million special charge, primarily attributable to business acquisitions ($2.0 million in 2013).
- The other segments recorded a net charge for restructuring of operations and charges for other items of $0.9 million in 2014 ($1.1 million in 2013).

Charge for impairment of goodwill and other assets: $81.0 million in 2014, compared with $26.4 million in 2013, a $54.6 million unfavourable variance.

- In 2014, Quebecor Media performed impairment tests on its Newspapers and Broadcasting CGUs. Accordingly, a $30.0 million non-cash goodwill impairment charge (without any tax consequences) was recorded in the Newspapers CGU, as well as a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences), and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) in the Broadcasting CGU.
- In the third quarter of 2013, Quebecor Media performed impairment tests on the Newspapers and Books CGUs. Accordingly, the Media segment recognized a $14.5 million non-cash goodwill impairment charge (without any tax consequences) in its Newspapers CGU, and an $11.9 million non-cash goodwill impairment charge (without any tax consequences) in its Book CGU.

Loss on debt refinancing: $18.7 million in 2014 compared with $18.9 million in 2013.

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018, at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in “Other comprehensive income.”
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in “Other comprehensive income.”
- On June 3, 2013, Videotron issued a notice for the redemption, on July 2, 2013, of US$380.0 million aggregate principal amount of its issued and outstanding 9.125% Senior Notes due in April 2018 at a redemption price of 104.563% of their principal amount, and settled the related hedges. As a result, a total $18.9 million loss was recorded in the consolidated statement of income in the second quarter of 2013, including a $6.5 million gain previously recorded in “Other comprehensive income.”

Income tax expense: $97.2 million (effective tax rate of 29.0%) in 2014, compared with $32.8 million (effective tax rate of 34.5%) in 2013, a $64.4 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the impact of the increase in taxable income.
- The variance in the effective tax rates was due to the impact of the tax rate mix on the various components of the gain or loss on valuation and translation of financial instruments, and to losses on debt refinancing.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussions on trends under “Trend Information” above and on the Corporation’s financial risks under “Financial Instruments and Financial Risk” below.

Operating activities

Cash flows provided by operating activities: $1.07 billion in 2015 compared with $960.7 million in 2014.

- The $111.5 million increase was due primarily to:
  - $166.5 million favourable variance in the cash portion of the gain on litigation, charge for restructuring of operations and other items;
  - $58.5 million decrease in current income taxes;
  - $32.6 million and $11.8 million increases in adjusted operating income in the Telecommunications and Media segments respectively;
  - $13.7 million decrease in the cash portion of financial expenses.

  Partially offset by:
  - $161.3 million unfavourable change in non-cash balances related to operations, due primarily to the increase in inventory and accounts receivable in the Telecommunications segment, payment of outstanding income tax balances and a decrease in current income taxes.

Receipt of a gain on litigation, increased profitability in the Telecommunications and Media segments, and debt refinancing at lower interest rates had a favourable impact on cash flows provided by operating activities, while the payment of outstanding income tax balances and increased inventory and accounts receivable balances in the Telecommunications segment in 2015 had a negative impact.

Working capital: Negative $328.1 million at December 31, 2015, compared with positive $90.2 million at December 31, 2014. The $418.3 million unfavourable variance was mainly due to payment for the spectrum acquired at a total cost of $218.8 million and debt repayment out of working capital.

Investing activities

Additions to property, plant and equipment: $678.6 million in 2015 compared with $644.0 million in 2014. The $34.6 million increase was mainly due to the impact of the promotional strategy focused on equipment leasing, spending on the construction and expansion of data centres, and spending on the LTE network in the Telecommunications segment.

Additions to intangible assets: $360.6 million in 2015 compared with $317.3 million in 2014. The $43.3 million increase mainly reflects payment of $33.0 million to Québec City for 25-year naming rights to the new Videotron Centre in the Sports and Entertainment segment. Additions to intangible assets in 2015 included payments totalling $218.8 million for the acquisition of spectrum, compared with $217.4 million in 2014.

Proceeds from disposal of assets: $4.6 million in 2015 compared with $5.4 million in 2014.

Business acquisitions: $94.5 million in 2015 compared with $132.3 million in 2014, a $37.8 million decrease.

- In 2015, business acquisitions consisted primarily in the acquisition of 4Degrees Colocation by the Telecommunications segment, of Transcontinental magazines by the Media segment, and of the assets of Marathon de Québec by the Sports and Entertainment segment.
- Business acquisitions in 2014 reflected, among other things, acquisition of substantially all of the assets of MELS in the Media segment, and of the Remparts de Québec of the QMJHL in the Sports and Entertainment segment.

Business disposals: $316.3 million in 2015, compared with $193.5 million in 2014, a $122.8 million increase.

- Business disposals in 2015 consisted mainly of the sale of English-language newspaper businesses in Canada in the Media segment, and the sale of Archambault Group's retail operations in the Telecommunications segment.
- Business disposals in 2014 consisted mainly of the sale of the Nurun subsidiary to Publicis Groupe, and the sale of 74 Québec weeklies to Transcontinental Interactive.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $284.1 million in 2015 compared with $253.1 million in 2014 (Table 8).

- The $31.0 million favourable variance was due to:
  - o $108.3 million increase in cash flows provided by continuing operating activities.

  Partially offset by:
  - o $41.9 million increase in additions to intangible assets (excluding spectrum acquisition);
  - o $34.6 million increase in additions to property, plant and equipment.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of CAN dollars)

	2015	2014
Cash flows from segment operations		
Telecommunications	**$ 666.5**	$ 665.3
Media	**24.9**	16.9
Sports and Entertainment	**(58.3)**	(8.2)
Quebecor Media Head Office	**(7.9)**	(7.1)
	625.2	666.9
Cash interest expense	**(302.1)**	(315.2)
Cash portion of gain (loss) on litigation, charge for restructuring of operations and other items	**117.2**	(49.6)
Current income taxes	**(63.4)**	(121.9)
Other	**5.9**	2.9
Net change in non-cash balances related to operations	**(98.7)**	70.0
Free cash flows from continuing operating activities of Quebecor Media	**$ 284.1**	$ 253.1

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of CAN dollars)

	2015	2014
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 284.1**	$ 253.1
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(0.3)**	4.4
Cash interest expense	**(25.8)**	(26.4)
Other	**(0.3)**	(0.2)
Net change in non-cash balances related to operations	**(1.3)**	(8.7)
	(27.7)	(30.9)
Plus additions to property, plant and equipment	**678.6**	644.0
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**141.8**	99.9
Minus proceeds from disposal of assets	**(4.6)**	(5.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,072.2**	$ 960.7

Financing activities

Consolidated debt (long-term debt plus bank borrowings)**:** $607.2 million increase in 2015; $655.6 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Summary of debt increases in 2015:
  - estimated $602.0 million unfavourable impact of exchange rate fluctuations. The increase in this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - issuance by Videotron on September 15, 2015 of $375.0 million aggregate principal amount of 5.75% Senior Notes maturing on January 15, 2026, for net proceeds of $370.1 million, net of financing fees of $4.9 million;
  - use by Videotron of its secured revolving credit facility in the aggregate amount of $246.7 million;
  - $33.8 million increase in the bank borrowings of Videotron and Quebecor Media.
- Summary of debt reductions in 2015:
  - early redemption and withdrawal by Videotron on July 16, 2015 of the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million;
  - early redemption and withdrawal by Videotron on July 16, 2015 of the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million;
  - early redemption and withdrawal by Videotron on April 10, 2015 of the entirety of its outstanding 6.375% Senior Notes issued on September 16, 2005 and maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million;
  - current payments, totalling $25.0 million, on the credit facilities and other debt of Videotron and Quebecor Media;
  - $20.9 million reduction in Quebecor's debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $953.7 million at December 31, 2015 compared with $298.1 million at December 31, 2014. The $655.6 million net favourable variance was due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - early settlement of an offsetting foreign exchange forward contract used in conjunction with cross-currency interest rate swaps to hedge the foreign exchange risk exposure on US$441.4 million of notional amount on Videotron's

5.375% Senior Notes maturing on June 15, 2024.

Partially offset by:

- o unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments;
- o unwinding of Videotron's hedging contracts in an asset position in connection with the redemption and early withdrawal on July 16, 2015 of US$75.0 million aggregate principal amount of 9.125% Senior Notes;
- o unwinding of Videotron's hedging contracts in an asset position in connection with the redemption and early withdrawal on April 10, 2015 of US$175.0 million aggregate principal amount of its 6.375% Senior Notes.

- On September 9, 2015, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07% following the repurchase by Quebecor Media of 7,268,324 Common Shares of its capital stock held by CDP Capital for an aggregate purchase price of $500.0 million, payable in cash. All of the purchased shares were cancelled. As a result, CDP Capital's interest in Quebecor Media was reduced from 24.64% to 18.93%.
- On June 16, 2015, Videotron amended its $575.0 million secured revolving bank credit facility to increase it to $615.0 million and extend its term by two years to July 20, 2020. Videotron also entered into a new $350.0 million unsecured revolving credit facility expiring on July 20, 2020. The terms and conditions of the new unsecured credit facility are similar to those of Videotron's existing secured revolving credit facility.
- On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 TVA Group Class B Non-Voting Shares. Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Non-Voting Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

Financial position

Net available liquidity: $987 million at December 31, 2015 for Quebecor Media and its wholly owned subsidiaries, consisting of $30.9 million in bank indebtedness and $1.02 billion in available unused revolving credit facilities.

Net available liquidity: $125.5 million for Quebecor at the corporate level, consisting of $0.5 million in bank indebtedness and $126.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank borrowings): $5.89 billion at December 31, 2015, a $607.2 million increase compared with December 31, 2014; $655.6 million net favourable variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.28 billion debt ($2.93 billion at December 31, 2014); TVA Group's $73.0 million debt ($78.2 million at December 31, 2014); Quebecor Media's $2.48 billion debt ($2.20 billion at December 31, 2014); and Quebecor's $56.3 million debt ($77.2 million at December 31, 2014).

At December 31, 2015, minimum principal payments on long-term debt in the coming years are as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of CAN dollars)

2016	$	44.0
2017		53.9
2018		19.2
2019		56.8
2020		704.2
2021 and thereafter		5,014.4
Total	**$**	**5,892.5**

The weighted average term of Quebecor's consolidated debt was approximately 7.0 years as of December 31, 2015 (7.2 years as of December 31, 2014). At December 31, 2015, taking into account interest rate swaps, the debt consisted of approximately 82.5% fixed-rate debt (82.6% at December 31, 2014) and 17.5% floating-rate debt (17.4% at December 31, 2014).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, share repurchases, and dividend payments (or reduction of paid-up capital by Quebecor Media). The Corporation believes it will be able to meet future debt maturities, which are quite staggered over the coming years.

Pursuant to their financing agreements, the Corporation and its subsidiaries are required to maintain certain financial ratios and financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2015, the Corporation and its subsidiaries were in compliance with all required financial ratios and restrictive covenants in their financing agreements.

Dividends declared

- On March 8, 2016, the Board of Directors of Quebecor declared a quarterly dividend of $0.035 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on April 19, 2016 to shareholders of record at the close of business on March 25, 2016.

2500 MHz and AWS-3 spectrum auction

On March 6, 2015, Quebecor Media and its Videotron subsidiary announced that they had acquired four AWS-3 licences in the auction for commercial mobile spectrum for a total price of $31.8 million. The licences cover Eastern Québec, Southern Québec, Northern Québec and Eastern Ontario/Outaouais. They were issued to Videotron by ISED Canada on April 21, 2015.

On May 12, 2015, Quebecor Media and its Videotron subsidiary announced the acquisition of 18 licences in four Canadian provinces in the auction for 2500 MHz commercial mobile spectrum. The licences, which cover all of the Province of Québec, as well as the major urban centres in the rest of Canada, including Toronto, Ottawa, Calgary, Edmonton, and Vancouver, were acquired for $187.0 million. They were issued to Videotron by ISED Canada on June 24, 2015.

Analysis of consolidated balance sheet at December 31, 2015

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2015 and 2014
(in millions of CAN dollars)

	December 31, 2015	December 31, 2014	Difference	Main reason for difference
Assets				
Cash and cash equivalents	**$ 18.6**	$ 395.3	$ (376.7)	Cash flows used in investing and financing activities exceeded cash flows provided by operating activities
Accounts receivable	**494.1**	449.4	44.7	Impact of current variances in activity
Net assets held for sale[1]	**–**	300.2	(300.2)	Sale of English-language newspaper businesses
Property, plant and equipment	**3,424.9**	3,430.4	(5.5)	Impairment of assets in the Media segment and depreciation for the period, partially offset by additions to property, plant and equipment (*see* “Investing activities”) and acquisition of 4Degrees Colocation and Transcontinental magazines
Intangible assets	**1,178.0**	945.8	232.2	Purchase of 2500 MHz spectrum licences and AWS-3 licences and acquisition of 4Degrees Colocation and Transcontinental magazines, partially offset by asset impairment in the Media segment
Goodwill	**2,678.4**	2,714.6	(36.2)	Goodwill impairment in the Media segment, partially offset by impact of acquisition of 4Degrees Colocation and Transcontinental magazines
Derivative financial instruments[2]	**953.7**	298.1	655.6	*See* “Financing activities”
Liabilities				
Deferred revenues	**321.5**	283.0	38.5	Impact of current variances, business acquisitions and volume growth
Income taxes[3]	**(19.5)**	78.8	(98.3)	Payment of outstanding income tax balances
Long-term debt, including short-term portion and bank indebtedness	**5,890.7**	5,283.5	607.2	*See* “Financing activities”
Deferred income taxes[4]	**584.2**	521.0	63.2	Tax deductions for property, plant and equipment and for intangible assets in excess of book depreciation and amortization

1 Current assets less current liabilities.
2 Long-term assets less current and long-term liabilities.
3 Current liabilities less current assets.
4 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2015, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2015
(in millions of CAN dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,892.5**	$ 44.0	$ 73.1	$ 761.0	$ 5,014.4
Convertible debentures[2]	**704.0**	–	704.0	–	–
Interest payments[3]	**2,076.9**	263.9	612.3	561.4	639.3
Operating leases	**253.8**	51.3	75.7	42.1	84.7
Additions to property, plant and equipment and other commitments	**1,340.0**	253.6	285.7	207.9	592.8
Derivative financial instruments[4]	**(950.9)**	(1.8)	(17.7)	(112.9)	(818.5)
Total contractual obligations	**$ 9,316.3**	**$ 611.0**	**$ 1,733.1**	**$ 1,459.5**	**$ 5,512.7**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2015 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2015.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements and has contracted long-term commitments to acquire equipment for a total future consideration of $155.2 million.

In 2011, Quebecor Media announced an agreement with Québec City for management of the Videotron Centre. As at December 31, 2015, the balance of those commitments stood at $78.0 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015, a similar 10-year agreement was signed with the Lévis transit commission. As at December 31, 2015, the balance of these commitments stood at $107.0 million.

In May 2013, Videotron and Rogers Communications announced a 20-year agreement to build out and operate an LTE network in the Province of Québec and in the Ottawa area. As at December 31, 2015, the balance of those commitments stood at $260.0 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2015, the balance of those commitments stood at $817.1 million.

Pension Plan Contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $42.0 million in 2016 (contributions of $45.0 million were paid in 2015).

Related Party Transactions

During the year ended December 31, 2015, the Corporation and its subsidiaries made purchases and incurred rent charges with affiliated corporations in the amount of $3.4 million ($2.9 million in 2014), which are included in purchase of goods and services. The Corporation and its subsidiaries made sales to affiliated corporations in the amount of $3.3 million ($3.3 million in 2014). These transactions were accounted for at the consideration agreed between the parties.

Off-Balance Sheet Arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease term), and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2015, the maximum exposure with respect to these guarantees was $28.4 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One of the Corporation's subsidiaries has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital Stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at February 29, 2016. In addition, 1,310,000 stock options were outstanding as of February 29, 2016.

Table 13
Capital stock
(in shares and millions of CAN dollars)

	February 29, 2016		
	Issued and outstanding		Book value
Class A Shares	38,906,172	$	8.6
Class B Shares	83,556,992	$	317.0

On July 31, 2014, Quebecor filed a normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2014. The purchases could be made from August 13, 2014 to August 12, 2015 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All of the purchased shares were cancelled.

On July 29, 2015, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases can be made from August 13, 2015 to August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange. All shares purchased under the bid will be cancelled.

In 2015, the Corporation purchased and cancelled 413,300 Class B Shares for a total cash consideration of $12.4 million (455,000 Class B Shares for a total cash consideration of $11.7 million in 2014). The $10.8 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($10.0 million in 2014).

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers (or "ILECs"). The primary one in Quebecor Media's market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and in several other communities in the Province of Québec. That primary ILEC is rolling out its own Internet protocol television (or "IPTV") service throughout the country and, more specifically, in Montréal (including a portion of the greater Montréal area), Québec City, and in other locations in the Province of Québec. It has also secured licences to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in HD of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("OTT") content providers, such as Netflix and Apple TV, as well as Canadian services such as Crave TV and shomi, compete for viewership and for a share of the monthly entertainment spending currently allocated to traditional cable television.

Unlike Quebecor Media, OTT service providers are also not subject to Canadian Radio-television and Telecommunications Commission's ("CRTC") regulations and do not have to contribute financially to the Canadian traditional television business model. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial conditions, and results of operations.

In its Internet access business, Quebecor Media competes against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line ("DSL"), fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to their high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. Those third-party ISP competitors may also provide telephony, IP video services and networking applications.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators, and other providers of telephony, voice over Internet Protocol (or "VoIP") and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides, or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and for many years operated lower-cost mobile telephony brands in order to acquire additional market share. In the near future, depending on new regulations, Quebecor Media could see the emergence of non-facility-based operators in the wireless space. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber is still required in Canada). Also, the Internet, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their respective 4G and Long Term Evolution (also known as "LTE") networks, are now offering wireless and fixed wireless Internet services. In addition, Quebecor Media's VoIP telephony service also competes with Internet-based solutions.

Moreover, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential phone and mobile telephony services). As a result, should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operation.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operation.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, various aspects of mobile communication operations, including the ability of mobile providers to enter into interconnection agreements with traditional landline telephone companies and to manage data traffic on their networks, are subject to regulation by the CRTC. Regulations adopted or actions taken by government agencies with jurisdiction over any mobile business that Quebecor Media may operate or develop could adversely affect its mobile business and operations, including actions that could either increase competition or its costs.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Higher handset subsidies and increase in bring-your-own-device ("BYOD") customers

Quebecor Media's mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other North American wireless carriers. This model attracts customers and in exchange they commit to a term contract. Quebecor Media also commits to a minimum subsidy per unit with the supplier of certain smartphone devices. If Quebecor Media is unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact its business, financial condition and results of operations.

Also, with the CRTC's Wireless Code introduced in 2013 limiting wireless term contracts to two from three years, the number of BYOD customers with no-term contracts could increase. Such customers are under no contractual obligation to remain with Quebecor Media, which could have a material adverse effect on its churn rate and, consequently, on its business, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and its demands for increased bandwidth capacity and other services. In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short and medium term in order to expand and maintain its systems and services, including expenditures relating to advancements in Internet access, HD, UHD television and TV everywhere/every platform requiring IP delivery technology, plus the cost of its mobile services infrastructure deployment, maintenance and enhancement.

The demand for wireless data services has been growing at unprecedented rates and it is projected that this demand will further accelerate, driven by increases in the following: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by ISED Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, that could have a material adverse effect on its business, prospects and financial condition.

The development, maintenance and enhancement of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint build-out of its LTE network. A geographical expansion or densification of its LTE network may require Quebecor Media to incur significant costs and make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services, or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the *"Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate those agreements, it cannot guarantee that they will continue to be available on their respective terms, or on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. Quebecor Media may not be able to implement those strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement those strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented throughout the organization by a centralized office fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to those engagements, including the development of new revenue sources.

Consumers' trend to abandon cable telephony and television services

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access service in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting customers to its OTT entertainment platforms, which could have a material adverse effect on its business, results of operation and financial condition.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content, which uses even more bandwidth than HD services. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address customer needs.

Equipment costs are under pressure in an effort to counterbalance customer demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that reduce costs or implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in price increases or in reduced profitability.

Significant and rapid technological changes in Media segment

In relation to the Corporation's Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Furthermore, in its video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality. Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, and results of operations.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of its Media business' existing television subscriber base from its services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its other services.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, financial condition, prospects, or results of operations. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has recently made, and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that management may not be able to successfully manage the development of its Sports and Entertainment business; that the development of the Sports and Entertainment business may place significant demands on management, diverting attention from existing operations; that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; and the risk associated with a failure to make continued investments in its Sports and Entertainment business in order to respond to consumer trends and demands, which could adversely affect its ability to compete in the sports and entertainment industry.

Implementation of changes to the structure of its business

Quebecor Media has and it will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign, the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior managers and its ability to retain skilled employees. There is intense competition for qualified managers and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition and results of operations. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance and maintain content quality; it must continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations, and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media segment. Quebecor Media's revenues and operating results in those businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Those economic factors affect the levels of retail and national advertising revenue of the media properties of Quebecor Media. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in those sectors and in the real estate industry has had, and may continue to have an adverse impact on the revenues and results of operations of the Media segment. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper and magazine businesses and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations, and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry, as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to maintain its circulation base, such as investments in the re-design and overhaul of its newspaper and magazine websites and the publication of e–editions of a number of its newspapers and magazines, it may not be successful in retaining its historical share of advertising revenues or in transferring its audience to its new digital products. The ability of the Media segment to grow and succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives, developed to generate additional revenues from its websites (such as digital platform advertising and/or the paywall revenue model), may not be accepted by users and consequently may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of those initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates on its platforms. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, those suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for such services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations, and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and in research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as production costs. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize, or may never materialize.

Loss of key customers

The Corporation's businesses are based primarily on customer satisfaction with reliability, timeliness, quality, and price. In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers. Quebecor Media cannot assure that it will continue to maintain favourable relationships with its customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access, cable telephony and mobile telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Cybersecurity

The ordinary course of Quebecor Media's telecommunications and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information om its customers and employees, whether in its data centres, systems, infrastructure, networks, or processes. The secure processing, maintenance and transmission of this information is critical to its operations and business strategy.

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to, or use of sensitive data, including data on its customers, and although ever-evolving cyberthreats require Quebecor Media to continually evaluate and adapt its data centres, systems, infrastructure, networks and processes to prevent data loss, Quebecor Media cannot assure that its data centres, systems, infrastructure, networks and processes will be adequate to safeguard against all information security access by third parties or employees or errors by third-party suppliers. If Quebecor Media is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

Quebecor Media has not to its knowledge been subject to cyberattacks or breaches which, individually or in the aggregate, have had a material impact on its operations (including the integrity of customer data) or financial condition. However, the preventive actions Quebecor Media takes to reduce the risks associated with cyberattacks, including protection of its data centres, systems, infrastructure, networks and processes, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

Protection of personal data

Quebecor Media stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in, and hosted on its systems, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems, or to obtain new systems to accommodate additional customer growth or support new products and services, could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, and manage operating expenses, all of which could adversely impact its financial results and position.

Malicious and abusive Internet practices

Quebecor Media's cable data, mobile data and fibre-optic connectivity business customers utilize its network to access the Internet and, as a consequence, they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms, and other destructive or disruptive software. Such activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volumes to call centres and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, financial condition, and results of operations.

Protection from piracy

In Quebecor Media's cable, Internet access, OTT and telephony business, it may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, analog and digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Third party suppliers and providers

Quebecor Media depends on third party suppliers and providers for certain services, hardware and equipment that are critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a limited number of suppliers and Quebecor Media therefore faces the risks of supplier disruption, including business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment or services it requires, or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services and other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with content providers, comply with their technological requirements, or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have a said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2015, approximately 53% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 31 collective bargaining agreements.

Quebecor Media is not currently subject to a labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations, and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefits costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund those pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, is payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2015, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favorable terms, or at all, in the future.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and it reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2015, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $953.7 million on a consolidated basis.

Certain of the commodities that the Corporation consumes in its daily operations are traded on commodities exchanges or are negotiated on their respective markets in U.S. dollars and some of its suppliers source their products out of the U.S., therefore, although the Corporation pays these suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations to the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations.

Volatility

The capital and credit markets have experienced significant volatility and disruption over the last several years, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial position and prospects.

Ethical business conduct

Any failure or perceived failure to adhere to Quebecor's policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact its financial performance. Quebecor's framework for managing ethical business conduct includes the adoption of a Code of Ethics, which its directors and employees are required to acknowledge and agree to on a regular basis, and, as part of an independent audit and security function, maintain a whistle-blowing hotline. There can be no assurance that these measures will be effective enough to prevent violations or perceived violations of law or ethical business practices.

Asset impairment charges

In the past, the Corporation has recorded, asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flow.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause a diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel, and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the expansion of the Corporation's retail network and may contribute to isolating the Corporation from its competitors, which could have an adverse effect on its business, prospects and results of operation.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licences. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. There are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada, although the federal government recently eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC recently adopted a new Wireless Code which regulates numerous aspects of the provision of retail wireless services and a new Television Service Provider Code which regulates numerous aspects of the provisions of retail television services. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing, and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information. On December 17, 2014, an amendment to the *Telecommunications Act* and the *Radiocommunication Act* was adopted to give the CRTC and ISED Canada the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have a material adverse effect on its business (including how it provides products and services), financial condition, prospects, and results of operations. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographical products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes to the policies or rules of application in Canada or in any of its provinces in connection with government incentive programs, including any change in the Québec or federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its financial condition and results of operations. Canadian content programming is also subject to certification by various federal government agencies. If programs fail to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issuance and transfer of shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's Studios, Equipment and Post-Production Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian governmental incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced and, as a result, the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the U.S. Some producers may select locations other than Québec to take advantage of tax credit programs that they conclude to be more or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot elsewhere, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Licence renewals

Videotron's AWS-1 licences were issued in December 2008 for a 10-year term. Beginning two years before the end of this term, and any subsequent term, Videotron may apply for renewed licences for a term of up to 10 years. AWS-1 licence renewals, including whether licence fees should apply for a subsequent licence term, will be subject to a public consultation process initiated in the eighth year of the applicable licences, meaning in 2016 in respect of Videotron's current AWS-1 licences.

Videotron's other spectrum licenses, including in the AWS-3, 700 MHz and 2500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these respective terms, applications may be made for new licences for a subsequent term through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licences, including the terms and conditions of the new licences and whether licence fees should apply for a subsequent licence term, are expected to be determined by ISED Canada following public consultations.

Provision of third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to the Corporation's cable network and are thereby providing retail Internet access services.

In a decision issued on July 22, 2015, the CRTC ordered substantial changes to the framework for the provision of wholesale services to third-party ISPs. The provision of aggregated services will no longer be mandated and will be phased out in conjunction with the implementation of a new mandatory disaggregated service which will involve third-party ISPs provisioning their own regional transport services. This disaggregated service will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. As a result of this decision, Quebecor Media may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility (EPR) regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products," which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill with the gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

Some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment they supply meet all applicable regulatory and safety requirements. While there is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with, additional studies of radiofrequency emissions are ongoing and Quebecor Media cannot be sure that the results of any such future studies will not demonstrate a link between radiofrequency emissions and health problems.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or expose Quebecor Media to potential litigation. Any of those could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2015, it had $5.89 billion of consolidated long-term debt (long-term debt plus bank borrowings). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operate;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2015, it had approximately $1.29 billion available for additional borrowings under its existing credit facilities on a consolidated basis and under the indentures governing its outstanding

Senior Notes, which permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities, its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including its Senior Notes. If Quebecor's indebtedness is accelerated, Quebecor may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flow of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flow from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flow and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, of the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flow to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favorable terms, or at all.

Provisions of the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's Directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2015, approximately 73.98% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk−management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of their use of financial instruments, the Corporation and its subsidiaries are exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation and its subsidiaries use derivative financial instruments (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock in the value of certain derivative financial instruments through offsetting transactions. The Corporation and its subsidiaries do not intend to settle their derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
December 31, 2015
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Quebecor Media					
2016[1]	1.0154	US$	320.0	$	324.9
Videotron					
Less than 1 year	1.3105	$	168.7	US$	128.7
2017[2]	1.3849	US$	260.0	$	360.1

1 *See* footnote 1 below "Cross-currency interest rate swaps" table.
2 *See* footnote 2 below "Cross-currency interest rate swaps" table.

Interest rate swaps

Maturity	Notional amount		Pay/ receive	Fixed rate	Floating rate
TVA Group					
2017	$	38.5	Pay fixed/ Receive floating	2.03%	Bankers' acceptances 1 month

Cross-currency interest rate swaps

Hedged item	Hedging instrument				
	Period covered	Notional amount		Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
5.750% Senior Notes due 2023[1]	2007 to 2016	US$	320.0	7.69%	0.9977
5.750% Senior Notes due 2023	2016 to 2023	US$	431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$	418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$	342.1	Bankers' acceptance 3 months + 2.77%	1.0346

Cross-currency interest rate swaps (continued)

Hedged item	Hedging instrument			
	Period covered	**Notional amount**	**Annual interest rate on notional amount in CAN dollars**	**CAN dollar exchange rate on interest and capital payments per one U.S. dollar**
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[2]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

[1] Quebecor Media initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 7.75% Senior Notes due 2016 redeemed in 2012. These swaps are now used to set in CAN dollars all coupon payments through 2016 on US$431.3 million of notional amount under its 5.75% Senior Notes due 2023 and issued in 2012. In conjunction with the repurposing of these swaps, Quebecor Media has entered into US$320.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the March 15, 2016 notional exchange.

[2] Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued in 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock-in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation and its subsidiaries include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses on valuation and translation of financial instruments for 2015 and 2014 are summarized in Table 15.

Table 15
(Gain) loss on valuation and translation of financial instruments
(in millions of CAN dollars)

	2015	2014
Loss on embedded derivatives related to long term debt and derivative financial instruments for which hedge accounting is not used	**$ 6.2**	$ 7.9
(Gain) loss on embedded derivatives related to convertible debentures	**(10.5)**	91.6
Gain on reversal of embedded derivatives on debt redemption	**(0.4)**	(1.1)
Loss (gain) on the ineffective portion of cash flow hedges	**1.6**	(0.5)
Gain on the ineffective portion of fair value hedges	**(3.6)**	(3.2)
	$ (6.7)	$ 94.7

A $14.0 million gain on cash flow hedges was recorded under “Other comprehensive income” in 2015 (gain of $14.2 million in 2014).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative instruments by applying a credit default premium estimated using a combination of observable and unobservable inputs in the market to the net exposure of the counterparty or the Corporation.

The fair value of early settlement options recognized as embedded derivatives and embedded derivative related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long term debt and derivative financial instruments as of December 31, 2015 and December 31, 2014 are as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of CAN dollars)

		2015		2014
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5 892.5)**	**$ (5 894.9)**	$ (5 326.7)	$ (5 444.7)
Convertible debentures[3]	**(706.4)**	**(706.4)**	(711.8)	(711.8)
Derivative financial instruments[4]				
Early settlement options	**1.0**	**1.0**	8.2	8.2
Foreign exchange forward contracts[5]	**9.3**	**9.3**	4.2	4.2
Interest rate swaps	**(0.8)**	**(0.8)**	(0.5)	(0.5)
Cross-currency interest rate swaps[5]	**945.2**	**945.2**	294.4	294.4

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $953.7 million as of December 31, 2015 ($298.6 million as of December 31, 2014).

5 The value of foreign exchange forward contracts entered into to lock-in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2015, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2015, 10.4% of trade receivables were 90 days past their billing date (8.5% as of December 31, 2014) of which 40.4 % had an allowance for doubtful accounts (52.3% as of December 31, 2014).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2015 and 2014:

		2015		2014
Balance at beginning of year	**$**	**21.8**	$	28.4
Charged to income		**32.1**		32.1
Utilization		**(30.9)**		(34.5)
Reclassification to assets held for sale		**–**		(4.2)
Balance at end of year	**$**	**23.0**	$	21.8

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of their use of derivative financial instruments, the Corporation and its subsidiaries are exposed to the risk of non-performance by a third party. When the Corporation and its subsidiaries enter into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation and its subsidiaries will not be able to meet their financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation and its subsidiaries manage this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 7.0 years as of December 31, 2015 (7.2 years as of December 31, 2014) (*See* also "Contractual Obligations" above).

Market Risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2015 in order to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock-in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2015 is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of $0.10		**2.2**	**$**	**50.2**
Decrease of $0.10		**(2.2)**		**(50.2)**

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation and its subsidiaries bear interest at fixed rates. The Corporation and its subsidiaries have entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2015, after taking into account the hedging instruments, long-term debt was comprised of 82.5% fixed-rate debt (82.6% in 2014) and 17.5% floating-rate debt (17.4% in 2014).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2015 was $8.6 million.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2015, as per the Corporation's valuation models, is as follows:

Increase (decrease)		**Income**		**Other comprehensive income**
Increase of 100 basis points	**$**	**(3.2)**	**$**	**(50.5)**
Decrease of 100 basis points		**3.2**		**50.5**

Capital Management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivative related to convertible debentures, net assets and liabilities related to derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2015 and 2014 was as follows:

Table 17
Capital structure of Quebecor
(in millions of CAN dollars)

	2015	2014
Bank indebtedness	**$ 34.3**	$ 5.2
Long-term debt	**5 856.4**	5 278.3
Embedded derivatives related to convertible debentures	**221.7**	232.2
Convertible debentures	**500.0**	500.0
Derivative financial instruments	**(953.7)**	(298.1)
Cash and cash equivalents	**(18.6)**	(395.3)
Net liabilities	**5 640.1**	5 322.3
Equity	**$ 652.0**	$ 1 063.3

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

There are a number of legal proceedings against the Corporation that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony, over-the-top video, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- Operating revenues from cable and other services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related

equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;

- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers, magazines, books and entertainment products are recognized on delivery, net of provisions for estimated returns based on historical rate of returns;
- Studio, soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- Revenues from leasing, and from ticket, food and beverage sales at the Videotron Centre are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment loss had previously been recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there are no significant amounts of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2015 was $2.68 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2015 was $776.7 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changes its conclusion in the future, as it did in 2015.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in "Other comprehensive income" until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of the derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion prices features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions, which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan to the extent that the Corporation can unilaterally reduce those future contributions.

In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash or other assets at the option of the employee are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

Estimates of the fair value of stock option awards are determined by applying an option-pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of liability-classified stock-based awards may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date, or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is at all times under audit by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the final outcome is difficult to predict.

Change in Accounting Estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in the operation of its Telecommunications segment. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015, and no amortization expense has been recorded after this date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015 ($55.4 million in 2014).

Recent Accounting Pronouncements

The Corporation has not yet completed its assessment of the impact of the adoption of these pronouncements on its consolidated financial statements.

(i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, Financial Instruments: Recognition and Measurement. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities

(ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles based, five-step model to be applied to all contracts with customers.

(iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted provided that the IFRS 15 has been applied or is applied at the same time as IFRS 16.

IFRS 16 sets out the new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

Controls and Procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2015. The design of DCP therefore provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and that information required to be disclosed by the Corporation in its annual, interim and other reports, which it files or releases in accordance with securities laws, is recorded, processed, summarized and reported within the time periods specified under those laws. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2015 and ending December 31, 2015.

Additional Information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary Statement Regarding Forward-Looking Statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, telephony and over-the-top video services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;

- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section of this Management Discussion and Analysis.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 9, 2016, and are subject to change after that date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 9, 2016

QUEBECOR INC. AND ITS SUBSIDIARIES
SELECTED FINANCIAL DATA

Years ended December 31, 2015, 2014 and 2013
(in millions of Canadian dollars, except per share data)

	2015	2014	2013
Operations			
Revenues	**$ 3,879.5**	$ 3,607.7	$ 3,538.8
Adjusted operating income	**1,440.7**	1,409.8	1,380.4
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**239.9**	209.7	185.3
Gain (loss) on valuation and translation of financial instruments	**4.7**	(95.3)	(279.3)
Unusual items	**(79.0)**	(85.4)	(33.2)
Discontinued operations	**(13.8)**	(59.1)	(161.4)
Net income (loss) attributable to shareholders	**151.8**	(30.1)	(288.6)
Cash flows provided by continuing operating activities	**1,072.2**	960.7	898.2
Basic data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 1.95**	$ 1.70	$ 1.49
Gain (loss) on valuation and translation of financial instruments	**0.04**	(0.77)	(2.25)
Unusual items	**(0.64)**	(0.69)	(0.27)
Discontinued operations	**(0.11)**	(0.48)	(1.30)
Net income (loss) attributable to shareholders	**1.24**	(0.24)	(2.33)
Dividends	**0.13**	0.10	0.10
Equity attributable to shareholders	**2.44**	4.10	4.83
Weighted average number of shares outstanding (in millions)	**122.7**	123.0	124.0
Diluted data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 1.77**	$ 1.57	$ 1.38
Dilution impact	**-**	0.13	0.11
Loss on valuation and translation of financial instruments	**(0.04)**	(0.78)	(2.25)
Unusual items	**(0.55)**	(0.69)	(0.27)
Discontinued operations	**(0.09)**	(0.47)	(1.30)
Net income (loss) attributable to shareholders	**1.09**	(0.24)	(2.33)
Diluted weighted average number of shares (in millions)	**143.7**	123.0	124.0
Financial position			
Working capital	**$ (328.1)**	$ 90.2	$ 75.0
Long-term debt	**5,812.4**	5,048.2	4,975.3
Equity attributable to shareholders	**298.9**	504.0	599.5
Equity	**652.0**	1,063.3	1,195.4
Total assets	**9,275.9**	9,078.5	9,016.4

QUEBECOR INC. AND ITS SUBSIDIARIES

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

	2015				2014			
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Revenues	**$ 1,020.8**	**$ 971.7**	**$ 960.9**	**$ 926.1**	$ 953.7	$ 887.8	$ 893.0	$ 873.2
Adjusted operating income	**360.8**	**391.4**	**349.3**	**339.2**	353.1	361.8	359.9	335.0
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**58.0**	**74.0**	**66.5**	**41.4**	50.6	58.1	55.9	45.1
(Loss) gain on valuation and translation of financial instruments	**(85.5)**	**51.1**	**47.7**	**(8.6)**	(92.5)	(26.9)	21.2	2.9
Unusual items	**(6.6)**	**(38.1)**	**(33.0)**	**(1.3)**	(30.5)	(21.4)	(24.1)	(9.4)
Discontinued operations	**(0.7)**	**(1.9)**	**(9.1)**	**(2.1)**	12.9	35.3	(107.8)	0.5
Net (loss) income attributable to shareholders	**(34.8)**	**85.1**	**72.1**	**29.4**	(59.5)	45.1	(54.8)	39.1
Basic data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.47**	**$ 0.60**	**$ 0.54**	**$ 0.34**	$ 0.41	$ 0.47	$ 0.45	$ 0.37
(Loss) gain on valuation and translation of financial instruments	**(0.70)**	**0.42**	**0.39**	**(0.07)**	(0.75)	(0.22)	0.17	0.02
Unusual items	**(0.05)**	**(0.31)**	**(0.27)**	**(0.01)**	(0.25)	(0.17)	(0.20)	(0.07)
Discontinued operations	**-**	**(0.02)**	**(0.07)**	**(0.02)**	0.11	0.29	(0.87)	-
Net (loss) income attributable to shareholders	**(0.28)**	**0.69**	**0.59**	**0.24**	(0.48)	0.37	(0.45)	0.32
Weighted average number of shares outstanding (in millions)	**122.5**	**122.7**	**122.8**	**122.9**	122.9	122.9	123.0	123.1
Diluted data per share								
Contribution to net (loss) income attributable to shareholders:								
Continuing operations	**$ 0.43**	**$ 0.54**	**$ 0.49**	**$ 0.32**	$ 0.38	$ 0.43	$ 0.41	$ 0.34
Dilution impact	**0.04**	**-**	**-**	**0.02**	0.03	0.04	-	-
(Loss) gain on valuation and translation of financial instruments	**(0.70)**	**-**	**-**	**(0.07)**	(0.75)	(0.22)	(0.01)	0.02
Unusual items	**(0.05)**	**(0.27)**	**(0.23)**	**(0.01)**	(0.25)	(0.17)	(0.17)	(0.07)
Discontinued operations	**-**	**(0.01)**	**(0.07)**	**(0.02)**	0.11	0.29	(0.74)	-
Net (loss) income attributable to shareholders	**(0.28)**	**0.26**	**0.19**	**0.24**	(0.48)	0.37	(0.51)	0.29
Weighted average number of diluted shares outstanding (in millions)	**122.5**	**143.7**	**143.9**	**123.2**	122.9	122.9	143.8	144.2

This is Exhibit 54 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

QUEBECOR

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company with an 81.07% interest in Quebecor Media Inc., one of Canada's largest media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, "Quebecor" or "the Corporation" refer in this Management Discussion and Analysis to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: cable television; Internet access; mobile and cable telecommunications; over-the-top video service; business solutions (including data hosting centres); broadcasting; soundstage and equipment leasing and postproduction services for the film and television industries; newspaper publishing and distribution; Internet portals and specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier cable and mobile communication service provider. Quebecor Media holds leading positions through its Media segment in the creation, promotion and distribution of entertainment and news, and in Internet-related services that are designed to appeal to audiences in every demographic category. Quebecor Media is pursuing a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

HIGHLIGHTS SINCE END OF 2015

- Quebecor's revenues totalled $4.02 billion in 2016, a $125.8 million (3.2%) increase from 2015.
- On February 16, 2017, Quebecor announced major corporate management changes. Pierre Karl Péladeau returned to the position of President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Pierre Dion who was appointed Chairman of the Board of Quebecor Media and a director of Quebecor.

Telecommunications

- In 2016, the Telecommunications segment grew its revenues by $144.8 million (4.8%) and its adjusted operating income by $63.6 million (4.6%).
- In 2016, Videotron significantly increased its revenues from mobile telephony ($106.7 million or 26.4%), Internet access ($58.0 million or 6.3%), business solutions ($42.1 million or 60.9%) and the Club illico over-the-top video service ("Club illico") ($7.8 million or 33.1%).
- Videotron posted a net increase of 117,900 revenue-generating units[1] (2.1%) in 2016, including 125,300 connections to the mobile telephony service, 57,200 memberships in Club illico, and 44,600 subscriptions to the cable Internet access service.
- Videotron's average monthly revenue per user ("ARPU") was $144.86 in 2016 compared with $135.68 in 2015, a $9.18 (6.8%) increase.
- On January 12, 2017, 4Degrees Colocation Inc. ("4Degrees Colocation"), a subsidiary of Videotron, announced an agreement with Megaport (USA) Inc., a global leader in secure interconnectivity, which will allow business customers to link directly to the world's largest providers of public cloud services. Customers will enjoy fast, secure, redundant access to business applications from three leading information and communications technology providers: Microsoft Corporation (Azure, Office 365, Exchange), Amazon Web Services Inc. and Google.
- During 2016, Videotron's Unlimited Music service added Apple Music, Napster, Tidal and SoundCloud to its catalogue of music streaming apps, bringing the number of supported services to 18 at year's end. Unlimited Music allows subscribers to Videotron's mobile telephony service to stream music without restriction via various platforms without using their mobile data plan.

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[1] The sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

- On November 15, 2016, Videotron began rolling out Docsis 3.1 technology on its network. Developed by the CableLabs consortium, of which Videotron is a member, Docsis 3.1 will eventually deliver download speeds of up to 10 Gbps and upload speeds of up to 1 Gbps. Videotron will therefore be able to offer better Internet access service to meet the growing speed and bandwidth needs of its customers, who are watching more high-definition ("HD") and ultra high-definition ("UHD") videos and adopting the cloud, the Internet of Things, augmented reality and virtual reality.
- On September 20, 2016, Ericsson Canada Inc., École de technologie supérieure, Quartier de l'innovation, and Videotron announced a partnership to create the first open-air smart living laboratory to test all aspects of new, fifth-generation telecommunications technologies.
- On September 13, 2016, 4Degrees Colocation officially opened its Montréal data centre. The $40 million, 4,000-square-metre facility boasts one of the largest server rooms in Québec and is purpose-designed for data hosting.
- On July 13, 2016, Videotron launched its Giga Fibre Hybrid Internet access service, which offers residential and business customers connection speeds of up to 940 Mbps. The product confirms Videotron's status as the leader in high-speed Internet, an area in which it has been a trailblazer for more than 20 years.
- On January 7, 2016, Videotron announced the acquisition of Fibrenoire inc. ("Fibrenoire"), which provides fibre-optic connectivity services to businesses, for a $125.0 million cash consideration, of which the net amount of $119.1 million was paid at closing (net of acquired cash in the amount of $1.8 million). A subsequent $0.2 million adjustment was received in the second quarter of 2016. The $5.9 million balance, including interest charges, was paid on February 7, 2017. Combining the capabilities of Videotron Business Solutions and Fibrenoire will make it possible to continue meeting the growing demand from business customers for fibre-optic connectivity and will strengthen Videotron's leadership in business telecommunications services.

Media

- According to the fall 2016 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec's news leaders with 3.8 million readers per week across all platforms (print, mobile and Web). TVA Group Inc. ("TVA Group") is a major player in the Canadian magazine industry with 9.3 million readers per week across all platforms.
- On January 10, 2017, the Montréal Impact, a Major League Soccer ("MLS") team, and Quebecor announced an agreement making TVA Sports the exclusive French-language broadcaster of the Montréal Impact and an official MLS broadcaster for the next five years. As an official MLS broadcaster, TVA Sports will broadcast all Montréal Impact regular season and playoff games, the All-Star Game, the MLS Cup playoffs and the MLS Cup final. The agreement will enrich TVA Sports' programming with coverage of a sport that is growing fast in Québec and make it possible to disseminate that content on all of Quebecor's media platforms.
- During the period from September 5 to December 4, 2016, TVA Group and its specialty channels had a total television audience market share of 37.0% in Québec compared with 33.1% in the previous year (source: Numeris, Québec Franco, Fall 2016). TVA Network held its status as the market leader with a 25.3% market share, more than its main over-the-air rivals combined.
- Season 1 of *La Voix Junior,* which aired on TVA Network in fall 2016, reached an average audience of 2,309,600 per week (source: Numeris, Québec Franco, October 2 to November 27, 2016, T2+) for a 55% market share, topping the fall 2016 ratings in Québec. The show's popularity extended to the Web, where the candidates' performances and videotaped interviews logged a total of 7.5 million viewings across all platforms. The *lavoixjunior.ca* site attracted more than a million unique visitors in the season. It was a compelling example of the effectiveness of Quebecor Media's convergence strategy, designed to capture and maximize synergies within its portfolio of media properties.
- On November 2, 2016, the Media segment announced changes to its organizational structure aimed at balancing its cost structure and enhancing operational efficiencies. The transformation entailed a 220-position workforce reduction in the segment, including 125 positions at TVA Group, mainly managers, professionals and administrative support staff. The changes had no impact on the newsrooms or on cross-Québec news coverage. These changes will enable the Media segment to maintain its lead in news and content production and promote its flagship brands.
- On October 24, 2016, TVA Group announced the launch of the new *TVA.ca* website and the TVA mobile app, which give users free access to TVA programs in HD, live or on demand. The site and app also support a series of other functionalities: users can catch up on shows from the previous seven days, watch exclusive original content, pause and resume play on a different screen, and receive customized suggestions.

- On June 20, 2016, the Media segment announced the launch of Immersion, a new video advertising format that enables businesses and their brands to leverage existing content and reduce their advertising video production costs. The innovative technology displays full-screen, high-resolution videos that integrate seamlessly into the front end of most websites.
- On April 12, 2016, TVA Group released the Molto app, a new digital newsstand that gives users unlimited access to the full content of all its magazines on their tablets and smartphones.
- Season 4 of *La Voix* posted strong ratings. The weekly gala attracted an average audience of 2.6 million viewers (source: Numeris, Québec Franco, January 17 to April 10, 2016, T2+) and an average market share of 58%. Traffic on the *lavoix.ca* site increased considerably and the number of viewings grew by 54% to a total of 6.6 million. The show logged 1.8 million downloads on the analog and digital ("illico Digital TV") broadcasting distribution services.
- In the first quarter of 2016, Quebecor Media launched an automated real-time contextual advertising service across its digital network, in partnership with digital marketing agency Dialekta. The Media segment is the first French-language media group to offer advertisers a service of this type, which has the potential for more accurate audience targeting than anything currently available.

Sports and Entertainment

- On September 12, 2016, the Videotron Centre completed its first full year of operation. During that period, the Videotron Centre hosted 93 sporting events and concerts, as well as 30 corporate events. In all, more than 1.1 million people passed through the turnstiles. The Videotron Centre's diverse programming included prominent acts such as Metallica, Madonna, Muse, Rihanna, Justin Bieber, Pearl Jam, and Bryan Adams. In August 2016, the Videotron Centre also presented a sold-out series of five concerts by Céline Dion, which were attended by more than 66,000 people. Finally, the Remparts de Québec of the QMJHL drew more than 470,000 spectators during the 2015-2016 season, a record for a junior hockey team in Canada.
- On April 7, 2016, Gestev became the official imprint for all shows and events produced by Quebecor. The new grouping is capitalizing on the 25 years of experience that Event Management Gestev Inc. ("Gestev") has in organizing sporting and cultural events and on its powerful brand in order to establish itself as a major player in showbiz and entertainment.

Financial transactions

- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount.
- In June 2016, Quebecor amended its revolving credit facility to extend its term to July 2019, Quebecor Media amended its secured revolving credit facility to extend its term to July 2020, and Videotron amended its secured revolving credit facility and its unsecured revolving credit facility to extend their terms to July 2021. Some of the terms and conditions of the credit facilities were also amended.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base and demands for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure deployment, maintenance and enhancement, as well as costs relating to advancements in Internet access and TV everywhere, requiring IP technology and the introduction of virtual reality. In addition, the demand for wireless data services has been growing at high rates and it is projected that this demand will further increase in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, as available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the Media segment in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, the broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video on demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies in media placement. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want. Moreover, newspaper circulation, measured in terms of copies sold, has been declining in the newspaper industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining over the past few years due to consolidation in the retail industry, combined with a shift in marketing strategy toward other media. To respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including French-language portals and specialized websites.

The Sports and Entertainment segment has made and is continuing to make significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required in order to expand the Sports and Entertainment segment.

INTEREST IN SUBSIDIARIES

As of December 31, 2016, Quebecor held an 81.07% interest in Quebecor Media. The Corporation's interest in Quebecor Media increased from 75.36% to 81.07% on September 9, 2015 as a result of the purchase by Quebecor Media of part of the interest in its equity held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at that date.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
December 31, 2016

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years, with the exception of the following:

On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 Class B Non-Voting Shares, participating, without par value, of TVA Group ("TVA Group Class B Shares"). Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted Operating Income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income (loss) under IFRS, as net income (loss) before depreciation and amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, litigation and other items, charge for impairment of goodwill and other assets, loss on debt refinancing, income taxes, and loss from discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below provides a reconciliation of adjusted operating income to net income (loss) as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2016 and 2015 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net income (loss) measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Year ended December 31		**Three months ended December 31**	
	2016	2015	**2016**	2015
Adjusted operating income (loss):				
Telecommunications	**$ 1,449.4**	$ 1,385.8	**$ 364.6**	$ 349.0
Media	**63.3**	70.2	**24.7**	22.3
Sports and Entertainment	**(7.2)**	(11.7)	**(1.0)**	(3.1)
Head Office	**(11.4)**	(3.6)	**1.0**	(7.4)
	1,494.1	1,440.7	**389.3**	360.8
Depreciation and amortization	**(653.0)**	(693.6)	**(167.3)**	(176.5)
Financial expenses	**(328.0)**	(335.0)	**(84.4)**	(85.7)
(Loss) gain on valuation and translation of financial instruments	**(70.3)**	6.7	**47.8**	(87.9)
Restructuring of operations, litigation and other items	**(28.0)**	116.9	**(13.3)**	(8.0)
Impairment of goodwill and other assets	**(40.9)**	(230.7)	**–**	(3.7)
Loss on debt refinancing	**(7.3)**	(12.1)	**(7.3)**	–
Income taxes	**(117.8)**	(93.1)	**(21.4)**	(20.6)
Loss from discontinued operations	**–**	(19.7)	**–**	(0.9)
Net income (loss)	**$ 248.8**	$ 180.1	**$ 143.4**	$ (22.5)

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income (loss) attributable to shareholders under IFRS, as net income (loss) attributable to shareholders before (loss) gain on valuation and translation of financial instruments, charge for restructuring of operations, litigation and other items, charge for impairment of goodwill and other assets, loss on debt refinancing, net of income tax related to adjustments and of net income attributable to non-controlling interest related to adjustments, and before the loss from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operating activities to the net income (loss) attributable to shareholders measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2016 and 2015 presented in Table 3 below is drawn from the unaudited consolidated statements of income.

Table 3
Reconciliation of the adjusted income from the continuing operating activities measure used in this report to the net income (loss) attributable to shareholders measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Year ended December 31		**Three months ended December 31**	
	2016	2015	**2016**	2015
Adjusted income from continuing operating activities	**$ 305.5**	$ 239.9	**$ 84.7**	$ 58.0
(Loss) gain on valuation and translation of financial instruments	**(70.3)**	6.7	**47.8**	(87.9)
Charge for restructuring of operations, litigation and other items	**(28.0)**	116.9	**(13.3)**	(8.0)
Impairment of goodwill and other assets	**(40.9)**	(230.7)	**–**	(3.7)
Loss on debt refinancing	**(7.3)**	(12.1)	**(7.3)**	–
Income taxes related to adjustments[1]	**11.5**	2.8	**7.8**	4.0
Net income attributable to non-controlling interest related to adjustments	**24.2**	42.1	**3.6**	3.5
Discontinued operations	**–**	(13.8)	**–**	(0.7)
Net income (loss) attributable to shareholders	**$ 194.7**	$ 151.8	**$ 123.3**	$ (34.8)

[1] Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash flows from segment operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues per average basic customer from its cable television, Internet access, cable and mobile telephony services and Club illico. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing the combined revenues from its cable television, Internet access, cable and mobile telephony services and Club illico by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2016/2015 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $4.02 billion, a $125.8 million (3.2%) increase.

- Revenues increased in Telecommunications ($144.8 million or 4.8% of segment revenues) and in Sports and Entertainment ($11.4 million or 49.1%).
- Revenues decreased in Media ($37.8 million or -3.9%).

Adjusted operating income: $1.49 billion, a $53.4 million (3.7%) increase.

- Adjusted operating income increased in Telecommunications ($63.6 million or 4.6% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($4.5 million or 38.5%).
- Adjusted operating income decreased in Media ($6.9 million or -9.8%). There was an unfavourable variance at Head Office ($7.8 million), due primarily to an unfavourable variance in the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $5.3 million unfavourable variance in the stock-based compensation charge in 2016 compared with 2015. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in an $8.3 million unfavourable variance in the Corporation's stock-based compensation charge in 2016.

Net income attributable to shareholders: $194.7 million ($1.59 per basic share) in 2016, compared with $151.8 million ($1.24 per basic share) in 2015, an increase of $42.9 million ($0.35 per basic share).

- The favourable variance was due primarily to:
  - $189.8 million decrease in non-cash charge for impairment of goodwill and other assets, including $75.0 million without any tax consequences;
  - $53.4 million increase in adjusted operating income;
  - $40.6 million decrease in the depreciation and amortization charge;
  - $19.7 million favourable variance in the loss related to discontinued operations;
  - $7.0 million decrease in financial expenses;
  - $4.8 million favourable variance in losses on debt refinancing.

  Partially offset by:
  - $144.9 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $77.0 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including $78.7 million without any tax consequences;
  - $24.7 million unfavourable variance in the income tax expense;
  - $25.8 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operating activities: $305.5 million ($2.49 per basic share) in 2016, compared with $239.9 million ($1.95 per basic share) in 2015, an increase of $65.6 million ($0.54 per basic share).

Depreciation and amortization charge: $653.0 million, a $40.6 million decrease due primarily to the impact of the end of amortization of spectrum in the Telecommunications segment in the second quarter of 2015, in accordance with a change in the estimated useful lives of the licences, and the end of the accounting useful lives of some assets acquired as part of the acquisition of Videotron in October 2000.

Financial expenses: $328.0 million, a $7.0 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by higher average indebtedness resulting primarily from the purchase in September 2015 of part of the interest in Quebecor Media held by CDP Capital for a $500.0 million consideration.

Loss on valuation and translation of financial instruments: $70.3 million in 2016 compared with a $6.7 million gain in 2015. The $77.0 million unfavourable variance was essentially due to a $78.7 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $28.0 million in 2016 compared with a $116.9 million gain in 2015, a $144.9 million unfavourable variance.

- In 2016, the Telecommunications segment recognized a charge for restructuring of operations totalling $14.3 million ($8.8 million in 2015), deriving essentially from customer migration from analog to digital services. A $10.1 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in 2016 ($9.8 million in 2015). The other segments recorded charges for restructuring of operations of $1.7 million in 2016 ($0.6 million in 2015).
- In 2016, Quebecor's segments also recorded a $0.8 million charge for other items ($2.0 million in 2015).
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu") to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for having failed to implement an appropriate security system in a timely manner to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada denied Bell ExpressVu leave to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in 2015.
- A $1.1 million interest expense was recorded in the Telecommunications segment in 2016 ($1.0 million in 2015) in connection with a court ruling handed down in 2014.

Charge for impairment of goodwill and other assets: $40.9 million in 2016 compared with $230.7 million in 2015, a $189.8 million favourable variance.

- In 2016, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's advertising revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $40.1 million non-cash goodwill impairment charge (without any tax consequences) was recorded in 2016. As well, a charge for impairment of intangible assets totalling $0.8 million was recorded in the Media segment in 2016.
- In 2015, Quebecor Media performed impairment tests on its CGUs and concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. The recoverable amount of those CGUs was adversely affected by declining newspaper and commercial printing volumes, and by continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded in the Newspapers CGU in 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized in the Broadcasting CGU in 2015. A $3.7 million impairment charge on intangible assets was also recognized in 2015 in other segments.

Loss on debt refinancing: $7.3 million in 2016 compared with $12.1 million in 2015, a $4.8 million favourable variance.

- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.

- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the related hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other comprehensive income."

Income tax expense: $117.8 million (effective tax rate of 24.8%) in 2016 compared with $93.1 million (effective tax rate of 23.4%) in 2015, a $24.7 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the increase in taxable income for tax purposes and one-time items that had an unfavourable impact on comparative effective tax rates.
- The unfavourable variance in effective tax rates was mainly due to the impact of a decrease in deferred income tax liabilities in the second quarter of 2015, in light of developments in tax audits, jurisprudence and tax legislation. The announced lowering of Québec tax rates in the coming years also had a favourable impact on the effective tax rate in 2016, with a corresponding reduction in deferred tax balances on the balance sheet.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,839,300 homes and businesses. It offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; analog and digital cable television services, including video on demand, pay-per-view and pay TV; cable telephony; and the Club illico over-the-top video service. Videotron also includes Videotron Business Solutions, a full-service business telecommunications provider that offers telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2016 operating results

Revenues: $3.15 billion in 2016, a $144.8 million (4.8%) increase.

- Revenues from the mobile telephony service increased $106.7 million (26.4%) to $510.4 million, essentially due to the increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access services increased $58.0 million (6.3%) to $978.7 million, mainly because of higher per-subscriber revenues caused by factors including a favourable product mix and increases in some rates, higher revenues from the rental of Wi-Fi routers, increased usage and customer base growth.
- Combined revenues from all cable television services decreased $29.5 million (-2.8%) to $1.02 billion, due primarily to the impact of the net decrease in the customer base, higher discounts, and a decrease in video-on-demand and pay TV orders, partially offset by increases in some rates and increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephone service decreased $33.2 million (-7.2%) to $424.8 million, mainly because of the impact of the net decrease in subscribers, lower per-subscriber revenues, higher discounts and lower long-distance revenues.
- Revenues from Club illico increased $7.8 million (33.1%) to $31.4 million, essentially because of subscriber growth.
- Revenues of Videotron Business Solutions increased $42.1 million (60.9%) to $111.2 million, due primarily to the impact of the acquisition of Fibrenoire on January 7, 2016 and higher revenues at 4Degrees Colocation, acquired on March 11, 2015.
- Revenues from customer equipment sales decreased $4.0 million (-6.9%) to $53.6 million, mainly because of lower sales of digital set-top boxes.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $1.6 million (-17.6%) to $7.5 million, mainly because of the impact of store closings.
- Other revenues decreased $1.5 million (-13.2%) to $9.9 million.

ARPU: $144.86 in 2016 compared with $135.68 in 2015, a $9.18 (6.8%) increase.

Customer statistics

Revenue-generating units – As of December 31, 2016, the total number of revenue-generating units stood at 5,765,400, an increase of 117,900 (2.1%) in 2016 compared with an increase of 168,200 in 2015 (Table 4). Revenue-generating units are the sum of subscriptions to the cable television, cable Internet access and Club illico services, plus subscriber connections to the cable and mobile telephony services.

Mobile telephony – As of December 31, 2016, the number of subscriber connections to the mobile telephony service stood at 893,900, an increase of 125,300 (16.3%) in 2016 compared with an increase of 135,800 in 2015 (Table 4).

Cable Internet access – As of December 31, 2016, the number of subscribers to cable Internet access services stood at 1,612,800, an increase of 44,600 (2.8%) in 2016 compared with an increase of 30,700 in 2015 (Table 4). At December 31, 2016, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,839,300 homes and businesses passed by Videotron's network as of December 31, 2016, up from 2,806,000 one year earlier) of 56.8% compared with 55.9% a year earlier.

Cable television – The combined customer base for all Videotron cable television services decreased by 46,000 (-2.6%) in 2016 compared with a decrease of 45,400 in 2015 (Table 4). As of December 31, 2016, Videotron had 1,690,900 subscribers to its cable television services. The household and business penetration rate was 59.6% versus 61.9% a year earlier.

- As of December 31, 2016, the number of subscribers to the illico Digital TV service stood at 1,587,100, an increase of 16,500 (1.1%) in 2016 compared with an increase of 17,000 in 2015. As of December 31, 2016, illico Digital TV had a household and business penetration rate of 55.9% versus 56.0% a year earlier.
- The customer base for analog cable television services decreased by 62,500 (-37.6%) in 2016 compared with a decrease of 62,400 in 2015.

Cable telephony – As of December 31, 2016, the number of subscribers to the cable telephony service stood at 1,253,100, a decrease of 63,200 (-4.8%) in 2016 compared with a decrease of 32,700 in 2015 (Table 4). At December 31, 2016, the cable telephony service had a household and business penetration rate of 44.1% versus 46.9% a year earlier.

Club illico – As of December 31, 2016, the number of subscribers to Club illico stood at 314,700, an increase of 57,200 (22.2%) in 2016 compared with an increase of 79,800 in 2015 (Table 4).

Table 4
Telecommunications segment year-end customer numbers (2012-2016)
(in thousands of customers)

	2016	2015	2014	2013	2012
Mobile telephony[1]	**893.9**	768.6	632.8	504.3	403.8
Cable Internet	**1,612.8**	1,568.2	1,537.5	1,506.0	1,444.0
Cable television:					
Analog	**103.8**	166.3	228.7	297.7	374.1
Digital	**1,587.1**	1,570.6	1,553.6	1,527.4	1,480.9
	1,690.9	1,736.9	1,782.3	1,825.1	1,855.0
Cable telephony[1]	**1,253.1**	1,316.3	1,349.0	1,348.5	1,316.3
Club illico	**314.7**	257.5	177.7	58.2	–
Total (revenue-generating units)	**5,765.4**	5,647.5	5,479.3	5,242.1	5,019.1

[1] In thousands of connections

Adjusted operating income: $1.45 billion, a $63.6 million (4.6%) increase caused primarily by:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of “bring your own device” (“BOYD”) plans;
- increases in some operating expenses, primarily administrative expenses, customer service and selling expenses.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.0% in 2016 compared with 53.9% in 2015.

Cash flows from operations

Cash flows from segment operations: $660.4 million in 2016 compared with $666.5 million in 2015 (Table 5).

- The $6.1 million decrease was due primarily to a $68.7 million increase in additions to property, plant and equipment and to intangible assets, reflecting in part investment in the data centres and in expanding the capacity of the LTE network, partially offset by the $63.6 million increase in adjusted operating income.

Table 5: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	2016	2015
Adjusted operating income	**$ 1,449.4**	$ 1,385.8
Additions to property, plant and equipment	**(666.8)**	(630.2)
Additions to intangible assets (excluding spectrum)	**(125.6)**	(93.5)
Proceeds from disposal of assets	**3.4**	4.4
Cash flows from segment operations	**$ 660.4**	$ 666.5

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels LCN, TVA Sports, addik^{TV}, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group is engaged in commercial production, dubbing, custom publishing and premedia services, and in the distribution of audiovisual products through its TVA Films division.

Through its subsidiaries, TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language magazines in various categories, including show business, television, fashion, sports, and decorating. It is the largest magazine publisher in Québec.

TVA Group also operates a number of websites. Its leading sites by traffic are *tvanouvelles.ca, tvasports.ca, canadianliving.com*, and *recettes.qc.ca.*

In addition, TVA Group owns Mels Studios and Postproduction G.P., a provider of soundstage and equipment leasing, postproduction and visual effects services to the film and television industries.

The Media segment of Quebecor Media also operates two paid-circulation daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, and a free daily, *24 heures Montréal*. According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2016 was approximately 2.6 million copies per week in print and 0.2 million copies in electronic formats.

The paid-circulation newspapers disseminate information in traditional print form, as well as through two urban daily news portals, *journaldemontreal.com* and *journaldequebec.com*. The Media segment also operates *canoe.ca*, a French-language portal that provides news and services for the general public, and the e-commerce site *autonet.ca* for car buyers.

The Media segment's portals log 6.9 million unique visitors per month in Canada (source: ComScore – December 2016).

The Media segment is also engaged in the printing of newspapers, the distribution of newspapers and magazines, and out-of-home advertising. As well, it operates Studios Goji inc., a talent collective that serves creators of online video content by providing personalized assistance in the development of new multiplatform business opportunities and by supporting creation. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, as well as Quebecor Media Sales, which offers Media segment customers integrated, diversified, complete advertising services.

The Media segment owns the scholastic publisher CEC Publishing Inc. and Sogides Inc., which is engaged in general literature publishing through its 18 publishing houses, and in physical and digital distribution of books through Messageries ADP inc., the exclusive distributor for more than 200 Québec and European French-language publishers.

Finally, the Media segment is engaged in the distribution of CDs and videos (Distribution Select); distribution of music to Internet download services (Select Digital); music recording and video production (Musicor); and live concert recording.

2016 operating results

Revenues: $938.0 million in 2016, a $37.8 million (-3.9%) decrease.

- Broadcasting revenues increased $9.7 million (2.3%), mainly due to:
  - increased subscription revenues at the specialty channels, including TVA Sports, addik^{TV}, MOI&cie, Yoopa and Casa;
  - higher advertising revenues at the TVA Network.

  Partially offset by:
  - lower advertising revenues at TVA Sports, mainly because of the Montréal Canadiens' failure to qualify for the National Hockey League playoffs in the spring of 2016, and at LCN.
- Film production and audiovisual service revenues decreased by $5.3 million (-8.2%), mainly because of lower revenues from soundstage and equipment leasing due to fewer productions in 2016 than in 2015, partly as a result of the eleventh-hour cancellation of a major production planned for the summer of 2016, partially offset by higher revenues from postproduction and dubbing.
- Newspaper publishing revenues decreased $29.1 million (-12.6%).
  - Advertising revenues decreased 15.1%; circulation revenues increased 3.4%; digital revenues were flat; combined revenues from commercial printing and other sources decreased 21.7%.
- Magazine publishing revenues decreased by $1.3 million (-1.1%). The favourable impact on revenues of the acquisition of magazines from Transcontinental Inc. ("Transcontinental") on April 12, 2015 was outweighed by the impact of the discontinuance of some titles and the decrease in advertising and newsstand revenues.
- Revenues of Quebecor Media Out of Home increased by $3.5 million (28.9%), mainly because of higher advertising revenues, including digital revenues.
- Book distribution and publishing revenues decreased by $3.5 million (-3.3%), primarily as a result of lower volumes in mass market and bookstore distribution, partially offset by higher scholastic and general literature sales.
- Music distribution and production revenues decreased by $10.5 million (-18.3%), mainly because of lower CD sales in 2016 than in 2015, due primarily to the release of singer-songwriter Adele's hit album in 2015.

Adjusted operating income: $63.3 million in 2016, a $6.9 million (-9.8%) decrease.

- Adjusted operating income from broadcasting operations decreased $1.7 million (-7.1%) due to:
  - impact of lower advertising revenues at TVA Sports;
  - higher selling expenses, spending on new digital activities and administrative expenses.

  Partially offset by:
  - impact of higher advertising revenues at TVA Network;
  - favourable impact of higher subscription revenues at the specialty services;
  - cost savings yielded by the restructuring initiatives implemented in 2016, including the elimination of 220 positions in the Media segment announced on November 2, 2016.
- There was a $5.0 million (-35.2%) unfavourable variance in adjusted operating income from film production and audiovisual services, mainly because of the impact of lower soundstage and equipment leasing revenues.
- Adjusted operating income from newspaper publishing decreased by $4.4 million (-29.1%) due to:
  - impact of the revenue decrease;
  - higher newsprint costs.

  Partially offset by:
  - favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives.

- Adjusted operating income from magazine publishing increased by $4.7 million (51.6%), mainly because of the impact of cost savings yielded by the restructuring plan, including lower selling, administrative and production expenses, and the inclusion of income of magazines acquired from Transcontinental on April 12, 2015, partially offset by the impact of a decrease in revenues on a same-store basis.
- There was a $2.8 million favourable variance in the adjusted operating income of Quebecor Media Out of Home due to the impact of the revenue increase.
- Adjusted operating income from book distribution and publishing increased by $1.8 million (21.4%), due primarily to reductions in some operating expenses, including selling and administrative expenses for distribution and general literature, and the impact of increased revenues in the scholastic and general literature segments.
- There was a $2.4 million unfavourable variance in adjusted operating income from music distribution and production, due primarily to the impact of the decrease in revenues.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 93.3% in 2016 compared with 92.8% in 2015. The increase was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the decrease in revenues, partially offset by the impact of restructuring and cost-reduction initiatives.

Cash flows from operations

Cash flows from segment operations: $15.0 million in 2016 compared with $24.9 million in 2015 (Table 6). The $9.9 million unfavourable variance was mainly due to the $6.9 million decrease in adjusted operating income and a $3.1 million increase in additions to property, plant and equipment and to intangible assets.

Table 6: Media
Cash flows from operations
(in millions of Canadian dollars)

		2016		2015
Adjusted operating income	**$**	**63.3**	$	70.2
Additions to property, plant and equipment		**(38.2)**		(36.0)
Additions to intangible assets		**(10.2)**		(9.3)
Proceeds from disposal of assets		**0.1**		–
Cash flows from segment operations	**$**	**15.0**	$	24.9

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. As well, the Sports and Entertainment segment operates Québec City sports and cultural events manager Gestev, which in 2016 became the official imprint for all shows and events produced by Quebecor Media.

The Sports and Entertainment segment also includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec, plus the production of concert videos and television commercials by Les Productions Select TV inc.

2016 operating results

Revenues: $34.6 million, a $11.4 million (49.1%) increase due primarily to:

- inclusion of revenues from events at the Videotron Centre for the full year;
- higher revenues from Gestev sporting events;
- naming rights revenues.

Adjusted operating loss: $7.2 million in 2016 compared with $11.7 million in 2015. The $4.5 million (38.5%) favourable variance was due mainly to the impact of the revenue increase and startup costs incurred in 2015, creating a favourable variance in 2016.

Cash flows from operations

Cash flows from segment operations: Negative $10.5 million in 2016 compared with negative $58.3 million in 2015 (Table 7).

- The $47.8 million favourable variance was due primarily to the $33.0 million payment to Québec City in the third quarter of 2015 for 25-year naming rights to the new Videotron Centre, plus spending on leasehold improvements and startup of the amphitheatre in 2015, combined with a $4.5 million decrease in the adjusted operating loss.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

		2016		2015
Adjusted operating income	**$**	**(7.2)**	$	(11.7)
Additions to property, plant and equipment		**(2.5)**		(12.0)
Additions to intangible assets		**(0.8)**		(34.6)
Cash flows from segment operations	**$**	**(10.5)**	$	(58.3)

2016/2015 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $1.05 billion, a $26.9 million (2.6%) increase.

- Revenues increased in Telecommunications ($28.1 million or 3.6% of segment revenues).
- Revenues decreased in Media ($4.1 million or -1.5%) and in Sports and Entertainment ($0.3 million or -3.0%).

Adjusted operating income: $389.3 million, a $28.5 million (7.9%) increase.

- Adjusted operating income increased in Telecommunications ($15.6 million or 4.5% of segment adjusted operating income) and in Media ($2.4 million or 10.8%). There were favourable variances in Sports and Entertainment ($2.1 million) and at Head Office ($8.4 million). The change at Head Office was essentially due to a favourable variance in the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $2.1 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2016 compared with the same period of 2015. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $7.8 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2016.

Net income attributable to shareholders: $123.3 million ($1.01 per basic share) in the fourth quarter of 2016, compared with a net loss attributable to shareholders of $34.8 million ($0.28 per basic share) in the same period of 2015, a favourable variance of $158.1 million ($1.29 per basic share).

- The favourable variance was due primarily to:
  - $135.7 million favourable variance in gains and losses on valuation and translation of financial instruments, including $130.8 million without any tax consequences;
  - $28.5 million increase in adjusted operating income;
  - $9.2 million decrease in the depreciation and amortization charge;
  - $3.7 million favourable variance in non-cash charge for impairment of goodwill and other assets.

  Partially offset by:
  - $7.8 million unfavourable variance in non-controlling interest;
  - $7.3 million unfavourable variance in loss on debt refinancing;
  - $5.3 million unfavourable variance in the charge for restructuring of operations, litigation and other items.

Adjusted income from continuing operating activities: $84.7 million ($0.69 per basic share) in the fourth quarter of 2016, compared with $58.0 million ($0.47 per basic share) in the same period of 2015, an increase of $26.7 million ($0.22 per basic share).

Depreciation and amortization charge: $167.3 million in the fourth quarter of 2016, a $9.2 million decrease due primarily to the end of the accounting useful lives of some assets acquired as part of the acquisition of Videotron in October 2000.

Financial expenses: $84.4 million, a $1.3 million decrease.

Gain on valuation and translation of financial instruments: $47.8 million in the fourth quarter of 2016 compared with an $87.9 million loss in the fourth quarter of 2015. The $135.7 million favourable variance was essentially due to the $130.8 million favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $13.3 million in the fourth quarter of 2016 compared with $8.0 million in the same period of 2015, a $5.3 million unfavourable variance.

- In the fourth quarter of 2016, the Telecommunications segment recognized a $4.4 million charge for restructuring of operations ($3.0 million in the same period of 2015), essentially due to customer migration from analog to digital services.
- A $7.3 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in the fourth quarter of 2016 ($4.2 million in the same period of 2015).
- The other segments recorded a $1.2 million charge for restructuring of operations in the fourth quarter of 2016 ($0.4 million gain in the same period of 2015).
- In the fourth quarter of 2016, Quebecor's segments also recognized a $0.7 million gain on other items ($0.2 million charge in the fourth quarter of 2015).
- A $1.1 million interest expense was recorded in the Telecommunications segment in the fourth quarter of 2016 ($1.0 million in the fourth quarter of 2015) in connection with a court ruling handed down in 2014.

Charge for impairment of goodwill and other assets: $3.7 million in the fourth quarter of 2015, reflecting impairment of intangible assets in some segments.

Loss on debt refinancing: $7.3 million in the fourth quarter of 2016 compared with nil in the same period of 2015.

- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.

Income tax expense: $21.4 million in the fourth quarter of 2016 (effective tax rate of 18.5%) compared with $20.6 million in the same period of 2015 (effective tax rate of 25.6%), a $0.8 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The income tax impact of the increase in taxable income was offset by one-time items that had a favourable impact on comparative effective tax rates.
- The announced lowering of Québec's tax rate over the coming years had a favourable impact on the effective tax rate in the fourth quarter of 2016 due to the corresponding reduction in deferred income tax balances on the balance sheet. The decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation had a favourable impact on the effective tax rate in the fourth quarter of 2015.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $805.2 million, a $28.1 million (3.6%) increase essentially due to the same factors as those noted above in the 2016/2015 financial year comparison.

- Revenues from mobile telephony service increased $25.6 million (23.0%) to $137.1 million.
- Revenues from Internet access services increased $9.0 million (3.8%) to $248.5 million.
- Combined revenues from all cable television services decreased $7.3 million (-2.8%) to $256.2 million.
- Revenues from cable telephony service decreased $6.7 million (-6.0%) to $104.8 million.
- Revenues from Club illico increased $1.6 million (22.9%) to $8.6 million.
- Revenues of Videotron Business Solutions increased $12.1 million (66.9%) to $30.2 million.
- Revenues from customer equipment sales decreased $5.5 million (-26.8%) to $15.0 million.
- Revenues of Le SuperClub Vidéotron retail chain decreased $0.2 million (-8.3%) to $2.2 million.
- Other revenues decreased $0.6 million (-19.4%) to $2.5 million.

ARPU: $148.56 in the fourth quarter of 2016 compared with $140.19 in the same period of 2015, an $8.37 (6.0%) increase.

Customer statistics

Revenue-generating units – 62,300 (1.1%) unit increase in the fourth quarter of 2016 compared with an increase of 41,600 in the same period of 2015.

Mobile telephony – 26,200 (3.0%) subscriber-connection increase in the fourth quarter of 2016 compared with an increase of 26,100 in the same period of 2015.

Cable Internet access – 16,700 (1.0%) customer increase in the fourth quarter of 2016 compared with an increase of 8,700 in the same period of 2015.

Cable television – 4,800 (-0.3%) decrease in the combined customer base for all of Videotron's cable television services in the fourth quarter of 2016 compared with a decrease of 9,000 in the same period of 2015.

- Subscriptions to illico Digital TV increased by 16,300 (1.0%) in the fourth quarter of 2016 compared with an increase of 6,000 in the same period of 2015.
- Subscriptions to analog cable television services decreased by 21,100 (-16.9%) in the fourth quarter of 2016 compared with a decrease of 15,000 in the same period of 2015.

Cable telephony – 12,000 (-0.9%) subscriber decrease in the fourth quarter of 2016 compared with a decrease of 13,200 in the same period of 2015.

Club illico – 36,200 (13.0%) subscriber increase in the fourth quarter of 2016 compared with an increase of 29,000 in the same period of 2015.

Adjusted operating income: $364.6 million, a $15.6 million (4.5%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- impact of the increased loss incurred on mobile device sales, partially offset by the favourable impact of BYOD plans.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 54.7% in the fourth quarter of 2016 compared with 55.1% in the same period of 2015.

Media

Revenues: $266.0 million in the fourth quarter of 2016, a $4.1 million (-1.5%) decrease.

- Broadcasting revenues increased $8.7 million (7.3%), mainly due to:
  - higher advertising revenues at the TVA Network;
  - increased subscription revenues at the specialty channels, including TVA Sports and Yoopa.

  Partially offset by:
  - decreased revenues from commercial production.
- Film production and audiovisual service revenues increased by $2.3 million (17.8%), mainly because of higher revenues from visual effects, postproduction, and soundstage and equipment leasing.
- Newspaper publishing revenues decreased $1.6 million (-3.0%).
  - Advertising revenues decreased 13.0%; circulation revenues increased 5.8%; digital revenues decreased 7.9%; combined revenues from commercial printing and other sources increased 15.5%.
- Magazine publishing revenues decreased by $6.8 million (-18.9%) in the fourth quarter of 2016, mainly because of decreased advertising revenues, the discontinuance of some titles and decreased custom publishing revenues.
- Revenues of Quebecor Media Out of Home increased by $1.1 million (29.7%), essentially because of higher advertising revenues, including digital revenues.
- Book distribution and publishing revenues decreased by $0.2 million (-0.7%).
- Music distribution and production revenues decreased by $8.7 million (-34.3%) mainly because of lower CD sales, due primarily to the release of singer-songwriter Adele's hit album in the fourth quarter of 2015.

Adjusted operating income: $24.7 million in the fourth quarter of 2016, a $2.4 million (10.8%) increase compared with the same period of 2015.

- Adjusted operating income from broadcasting operations increased $4.7 million (37.0%) due to:
  - impact of higher advertising revenues at TVA Network;
  - impact of increased subscription revenues at the specialty services, including TVA Sports and Yoopa;
  - cost savings yielded by restructuring initiatives.

  Partially offset by:
  - increased administrative and selling expenses and spending on new digital activities;
  - higher content costs at TVA Sports.
- Adjusted operating income from film production and audiovisual services increased by $1.3 million (118.2%), mainly because of the impact of the revenue increase.
- Adjusted operating income from newspaper publishing increased by $0.2 million (8.7%) due to:
  - favourable impact on adjusted operating income of reduced operating expenses, including the impact of restructuring initiatives.

  Partially offset by:
  - impact of the revenue decrease.
- Adjusted operating income from magazine publishing decreased by $1.0 million (-32.3%), mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including selling and production expenses.
- There was a $1.0 million favourable variance in the adjusted operating income of Quebecor Media Out of Home, mainly because of the impact of the revenue increase.
- Adjusted operating income from book distribution and publishing decreased by $0.1 million (-16.7%).

- There was a $3.2 million unfavourable variance in adjusted operating income from music distribution and production, due primarily to the impact of decreased revenues.

Cost/revenue ratio: Employee costs, and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 90.7% in the fourth quarter of 2016 compared with 91.7% in the same period of 2015. The decrease was mainly due to the impact of restructuring and cost-reduction initiatives, partially offset by the large fixed component of costs, which does not fluctuate in proportion to the decrease in revenues.

Sports and Entertainment

Revenues: $9.8 million in the fourth quarter of 2016, a $0.3 million (-3.0%) decrease due mainly to higher revenues from concerts and events in the fourth quarter of 2015 following the startup of the Videotron Centre's operations.

Adjusted operating loss: $1.0 million in the fourth quarter of 2016 compared with $3.1 million in the same period of 2015. The $2.1 million favourable variance was due primarily to startup costs for Videotron Centre management operations recognized in the fourth quarter of 2015.

2015/2014 FINANCIAL YEAR COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $3.89 billion, a $271.0 million (7.5%) increase.

- Revenues increased in all segments: Telecommunications ($169.7 million or 6.0% of segment revenues), Media ($112.0 million or 13.0%), and Sports and Entertainment ($16.1 million).

Adjusted operating income: $1.44 billion, a $30.9 million (2.2%) increase.

- Adjusted operating income increased in Telecommunications ($32.6 million or 2.4% of segment adjusted operating income) and in Media ($11.8 million or 20.2%).
- Unfavourable variance in Sports and Entertainment ($8.9 million) and at Head Office ($4.6 million). The decrease at Head Office was due primarily to the unfavourable variance in the fair value of stock options.
- The change in the fair value of Quebecor Media stock options resulted in a $4.9 million favourable variance in the stock-based compensation charge in 2015 compared with 2014. The change in the fair value of Quebecor stock options and the impact of various transactions on the options issued under this program resulted in a $9.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2015.

Net income attributable to shareholders: $151.8 million ($1.24 per basic share) in 2015, compared with a net loss attributable to shareholders of $30.1 million ($0.24 per basic share) in 2014, a favourable variance of $181.9 million ($1.48 per basic share).

- The favourable variance was due primarily to:
  - $166.5 million favourable variance in the charge for restructuring of operations, litigation and other items, including $34.3 million without any tax consequences;
  - $101.4 million favourable variance in gains and losses on valuation and translation of financial instruments, including $102.1 million without any tax consequences;
  - $61.9 million favourable variance in the loss related to discontinued operations;
  - $30.9 million increase in adjusted operating income;
  - $15.3 million decrease in financial expenses;
  - $6.6 million favourable variance in losses on debt refinancing.

  Partially offset by:

  - $149.7 million increase in non-cash charge for impairment of goodwill and other assets, including $60.3 million without any tax consequences;
  - $32.5 million increase in the depreciation and amortization charge;
  - $22.6 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operating activities: $239.9 million ($1.95 per basic share) in 2015, compared with $209.7 million ($1.70 per basic share) in 2014, an increase of $30.2 million ($0.25 per basic share).

Depreciation and amortization charge: $693.6 million in 2015, a $32.5 million increase essentially due to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in the LTE network and expenditures resulting from the promotional strategy focused on equipment leasing, partially offset by the cessation of amortization of spectrum licences in accordance with a change in the estimate of their useful life (*see* "Change in accounting estimates" below).

Financial expenses: $335.0 million, a $15.3 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates and by lower average indebtedness.

Gain on valuation and translation of financial instruments: $6.7 million in 2015 compared with a $94.7 million loss in 2014. The $101.4 million favourable variance was essentially due to the favourable variance, without any tax consequences, in gains (losses) on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $116.9 million gain in 2015 compared with a $49.6 million charge in 2014, a $166.5 million favourable variance.

- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for failing to implement an appropriate security system in a timely manner to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada denied Bell ExpressVu leave to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in 2015. In 2014, the Telecommunications segment recorded a $34.3 million charge (without any tax consequences), including interest, following a trial judgment against Videotron. Videotron has applied for leave to appeal. A $1.0 million interest expense was recorded in 2015 in connection with this ruling.
- In 2015, the Telecommunications segment recognized an $8.8 million charge for restructuring of operations ($1.8 million in 2014), mainly because of migration from analog to digital cable television service. A $9.8 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in 2015 ($6.5 million in 2014). The other segments recorded charges for restructuring of operations of $0.6 million in 2015 ($0.7 million in 2014).
- In 2015, Quebecor's segments also recognized a $2.0 million charge for other items ($6.3 million in 2014).

Charge for impairment of goodwill and other assets: $230.7 million in 2015 compared with $81.0 million in 2014, a $149.7 million unfavourable variance.

- In 2015, Quebecor Media performed impairment tests on its CGUs and concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. The recoverable amount of those CGUs was adversely affected by declining newspaper and commercial printing volumes, and by continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded in the Newspapers CGU in 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized in the Broadcasting CGU in 2015. A $3.7 million impairment charge on intangible assets was also recognized in 2015 in other segments.
- In 2014, Quebecor Media performed impairment tests on its Newspapers and Broadcasting CGUs. The recoverable amount of those CGUs was adversely affected by market disruption and weakness in the newspaper and television businesses. Accordingly, a $30.0 million non-cash impairment charge (without any tax consequences) was recorded in the Newspapers CGU, as well as a $41.7 million non-cash impairment charge on broadcasting licences (including $20.9 million without any tax consequences), and a $9.3 million non-cash goodwill impairment charge (including $3.9 million without any tax consequences) in the Broadcasting CGU.

Loss on debt refinancing: $12.1 million in 2015 compared with $18.7 million in 2014, a $6.6 million favourable variance.

- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other comprehensive income."
- In accordance with a notice issued on June 16, 2015, Videotron redeemed, on July 16, 2015, the entirety of its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.
- In accordance with a notice issued on March 11, 2015, Videotron redeemed, on April 10, 2015, the entirety of its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100.00% of their principal amount, and unwound the related hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other comprehensive income."

- In accordance with a notice issued on March 26, 2014, Videotron redeemed, on April 24, 2014, US$260.0 million aggregate principal amount of its outstanding 9.125% Senior Notes issued on March 5, 2009 and maturing on April 15, 2018, at a redemption price of 103.042% of their principal amount. A $21.4 million net loss was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $1.7 million loss previously recorded in "Other comprehensive income."
- In accordance with a notice issued on March 26, 2014, Quebecor Media redeemed, on April 25, 2014, the entirety of its outstanding 7.75% Senior Notes issued on October 5, 2007 and maturing on March 15, 2016, in the aggregate principal amount of US$380.0 million, at a redemption price of 100.00% of their principal amount, and settled the related hedges. A $2.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2014 in connection with this redemption, including a $12.5 million gain previously recorded in "Other comprehensive income."

Income tax expense: $93.1 million (effective tax rate of 23.4%) in 2015 compared with $97.2 million (effective tax rate of 29.0%) in 2014, a $4.1 million favourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The impact of the increase in taxable income was outweighed by one-time items that had a favourable impact on comparative effective tax rates.
- The favourable variance in the effective tax rate was mainly due to the impact of a decrease in deferred income tax liabilities in light of developments in tax audits, jurisprudence and tax legislation.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under “Trend Information” above, the risk analysis in the “Risks and Uncertainties” section below, and the discussion of the Corporation’s financial risks under “Financial Instruments and Financial Risk” below.

Operating activities

Cash flows provided by continuing operating activities: $1.11 billion in 2016 compared with $1.07 billion in 2015.

- The $40.8 million increase was essentially due to:
  - $222.8 million favourable change in operating assets and liabilities, due primarily to favourable variances in the provision for current income taxes, current income tax payments, and inventory in the Telecommunications segment;
  - $63.6 million increase in adjusted operating income in the Telecommunications segment;
  - $7.0 million decrease in the cash portion of financial expenses;
  - $4.5 million decrease in the adjusted operating loss of the Sports and Entertainment segment.

  Partially offset by:
  - $144.9 million unfavourable variance in the cash portion of the charge for restructuring of operations, litigation and other items;
  - $94.8 million increase in current income taxes;
  - $7.8 million increase in adjusted operating loss at Head Office;
  - $6.9 million decrease in adjusted operating income in the Media segment.

Reduced inventory, decreased income tax payments and higher profitability in the Telecommunications segment, along with the $4.5 million reduction in the Sports and Entertainment segment’s adjusted operating loss, plus debt refinancing at lower interest rates, had a positive impact on cash flows provided by continuing operating activities in 2016, while reduced profitability in the Media segment had an unfavourable impact. Receipt of a $139.1 million gain on dispute settlement had a favourable impact on cash flows in 2015.

Working capital: Negative $429.9 million at December 31, 2016 compared with negative $328.1 million at December 31, 2015. The $101.8 million unfavourable variance was mainly due to current variances in activity.

Investing activities

Additions to property, plant and equipment: $707.8 million in 2016 compared with $678.6 million in 2015. The $29.2 million increase, primarily in the Telecommunications segment, was mainly due to investment in the data centres and in expanding the capacity of wired and wireless networks, partially offset by a decrease in additions to property, plant and equipment resulting from the impact of the promotional strategy focused on equipment leasing.

Additions to intangible assets: $139.8 million in 2016 compared with $360.6 million in 2015. The $220.8 million decrease was mainly due to:

- payments totalling $218.8 million in 2015 for the acquisition of spectrum;
- $33.0 million payment to Québec City in 2015 for 25-year naming rights to the new Videotron Centre in the Sports and Entertainment segment.

Partially offset by:

- increased spending on computer hardware and software in the Telecommunications segment in 2016.

Proceeds from disposal of assets: $4.3 million in 2016 compared with $4.6 million in 2015.

Acquisition of non-controlling interest: $500.0 million in 2015. On September 9, 2015, the Corporation's interest in Quebecor Media increased from 75.36% to 81.07% following the repurchase by Quebecor Media of 7,268,324 Common Shares of its capital stock held by CDP Capital for an aggregate purchase price of $500.0 million, payable in cash.

Business acquisitions: $119.5 million in 2016 compared with $94.5 million in 2015.

- In 2016, business acquisitions consisted primarily in the acquisition of Fibrenoire by the Telecommunications segment.
- In 2015, business acquisitions consisted primarily in the acquisition of 4Degrees Colocation by the Telecommunications segment and of Transcontinental magazines by the Media segment.

Disposal of businesses: $3.0 million in 2016 compared with $316.3 million in 2015.

- Business disposals in 2016 consisted of the balance of the selling price for the retail operations of Archambault Group Inc. ("Archambault Group").
- Business disposals in 2015 consisted mainly of the sale of English-language newspaper businesses in Canada in the Media segment, and the sale of Archambault Group's retail operations in the Telecommunications segment.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $293.9 million in 2016 compared with $284.1 million in 2015 (Table 8).

- The $9.8 million favourable variance was mainly due to:
  - $38.1 million increase in cash flows provided by continuing operating activities;
  - $33.0 million payment to Québec City in 2015 for naming rights.

  Partially offset by:
  - $29.2 million increase in additions to property, plant and equipment;
  - increased spending on computer software in the Telecommunications segment in 2016.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2016	2015
Cash flows from segment operations		
Telecommunications	**$ 660.4**	$ 666.5
Media	**15.0**	24.9
Sports and Entertainment	**(10.5)**	(58.3)
Quebecor Media Head Office	**(11.0)**	(7.9)
	653.9	625.2
Cash interest expense	**(295.9)**	(302.1)
Cash portion of charge for restructuring of operations, litigation and other items	**(28.5)**	117.2
Current income taxes	**(158.0)**	(63.4)
Other	**3.7**	5.9
Net change in operating assets and liabilities	**118.7**	(98.7)
Free cash flows from continuing operating activities of Quebecor Media	**$ 293.9**	$ 284.1

Table 9

Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor

(in millions of Canadian dollars)

	2016	2015
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 293.9**	$ 284.1
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(3.1)**	(0.3)
Cash interest expense	**(25.0)**	(25.8)
Cash portion of charge for restructuring of operations, litigation and other items	**0.5**	(0.3)
Current income taxes	**(0.2)**	–
Other	**(0.5)**	–
Net change in operating assets and liabilities	**4.1**	(1.3)
	(24.2)	(27.7)
Plus additions to property, plant and equipment	**707.8**	678.6
Plus additions to intangible assets (excluding expenditures for licence acquisitions)	**139.8**	141.8
Minus proceeds from disposal of assets	**(4.3)**	(4.6)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,113.0**	$ 1,072.2

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $203.1 million decrease in 2016; $145.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Summary of debt reductions in 2016:
  - $108.5 million favourable impact of exchange rate fluctuations. The debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $37.4 million reduction in Videotron's total drawings on its secured revolving credit facility;
  - $25.7 million reduction in Quebecor's debt;
  - current payments totalling $18.5 million on the term loan facilities of Videotron, TVA Group and Quebecor Media;
  - repayment of bank indebtedness by Quebecor Media and Videotron totalling $14.9 million.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $808.7 million at December 31, 2016 compared with $953.7 million at December 31, 2015. The $145.0 million net unfavourable variance was mainly due to:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.
- In June 2016, Quebecor amended its revolving credit facility to extend its term to July 2019, Quebecor Media amended its secured revolving credit facility to extend its term to July 2020, and Videotron amended its secured revolving credit facility and its unsecured revolving credit facility to extend their terms to July 2021. Some of the terms and conditions of the credit facilities were also amended.

Financial Position

Net available liquidity: $1.04 billion at December 31, 2016 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.06 billion in available unused revolving credit facilities, less $17.4 million in bank indebtedness. (Pro forma the increase in drawings on Videotron's secured revolving credit facility in connection with the partial redemption on January 5, 2017 of Videotron's 6.875% Senior Notes ("partial redemption of January 5, 2017"), net available liquidity was $863.0 million at December 31, 2016 for Quebecor Media and its wholly owned subsidiaries, consisting of $880.4 million in available unused revolving credit facilities, less $17.4 million in bank indebtedness.)

Net available liquidity: $151.6 million as at December 31, 2016 for Quebecor at the corporate level, consisting of $1.6 million in cash and cash equivalents and $150.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.69 billion at December 31, 2016, a $203.1 million decrease compared with December 31, 2015; $145.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments (*see* "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.17 billion debt ($3.28 billion at December 31, 2015); TVA Group's $69.1 million debt ($73.0 million at December 31, 2015); Quebecor Media's $2.41 billion debt ($2.48 billion at December 31, 2015); and Quebecor's $30.6 million debt ($56.3 million at December 31, 2015).

As at December 31, 2016, minimum principal payments on long-term debt in the coming years are as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2017	$	51.8
2018		19.2
2019		56.8
2020		442.5
2021		834.5
2022 and thereafter		4,296.0
Total	**$**	**5,700.8**

Quebecor may (but are under no obligation to) from time to time seek to retire or purchase its outstanding securities including debentures in open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 6.1 years as of December 31, 2016 (6.1 years pro forma the partial redemption of January 5, 2017), compared with 7.0 years at December 31, 2015. After taking into account the hedging instruments, the debt consisted of approximately 83.2% fixed-rate debt (79.6% pro forma the partial redemption of January 5, 2017), compared with 82.5% at December 31, 2015, and 16.8% floating-rate debt (20.4% pro forma the partial redemption of January 5, 2017), compared with 17.5% at December 31, 2015.

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, debt repayments, pension plan contributions, share repurchases and dividend payments (or reduction of paid-up capital by Quebecor Media). The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2016, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

- On March 14, 2017, the Board of Directors of Quebecor declared a quarterly dividend of $0.045 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"), payable on April 25, 2017 to shareholders of record at the close of business on March 31, 2017.

Analysis of consolidated balance sheet at December 31, 2016

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2016 and 2015
(in millions of Canadian dollars)

	December 31, 2016	December 31, 2015	Difference	Main reasons for difference
Assets				
Accounts receivable	**$ 525.4**	$ 494.1	$ 31.3	Impact of current variances in activity
Inventories	**183.3**	215.5	(32.2)	Impact of current variances in activity
Property, plant and equipment	**3,605.1**	3,424.9	180.2	Additions to property, plant and equipment (*see* "Investing activities" above) and impact of acquisition of Fibrenoire, less depreciation for the period
Intangible assets	**1,224.0**	1,178.0	46.0	Additions to intangible assets (*see* "Investing activities" above) and impact of acquisition of Fibrenoire, less amortization for the period
Goodwill	**2,725.4**	2,678.4	47.0	Impact of acquisition of Fibrenoire less goodwill impairment in Media segment
Derivative financial instruments[1]	**808.7**	953.7	(145.0)	*See* "Financing activities"
Liabilities				
Accounts payable and accrued charges	**705.9**	654.9	51.0	Impact of current variances in activity
Income tax[2]	**28.3**	(19.5)	47.8	Increase in current income taxes
Long-term debt, including short-term portion and bank indebtedness	**5,687.6**	5,890.7	(203.1)	*See* "Financing activities"
Other liabilities	**516.2**	448.2	68.0	Losses on embedded derivatives related to convertible debentures
Deferred income tax[3]	**544.9**	584.2	(39.3)	Net recovery of deferred income tax and tax benefits upon re-measurement of derivative financial instruments

1 Long-term assets less long-term liabilities.
2 Current liabilities less current assets.
3 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2016, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2016
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,700.8**	$ 51.8	$ 76.0	$ 1,277.0	$ 4,296.0
Convertible debentures[2]	**775.5**	–	775.5	–	–
Interest payments[3]	**1,768.5**	257.3	588.6	513.3	409.3
Operating leases	**229.1**	48.7	69.0	30.8	80.6
Additions to property, plant and equipment and other commitments	**1,203.8**	197.7	259.9	217.4	528.8
Derivative financial instruments[4]	**(841.5)**	(17.9)	1.0	(98.0)	(726.6)
Total contractual obligations	**$ 8,836.2**	**$ 537.6**	**$ 1,770.0**	**$ 1,940.5**	**$ 4,588.1**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2016 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B Share at that date, subject to a floor price of $19.25 per share and a ceiling price of $24.0625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2016.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements and has contracted long-term commitments to acquire equipment for a total future consideration of $85.1 million.

In 2011, Quebecor Media announced an agreement with Québec City for the leasing and management of the Videotron Centre. As at December 31, 2016, the balance of those commitments stood at $75.5 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015, a similar 10-year agreement was signed with the Lévis transit commission. As at December 31, 2016, the balance of those commitments stood at $99.1 million.

In May 2013, Videotron and Rogers Communications signed a set of service sharing and exchange agreements, including a 20-year agreement to build out and operate an LTE network in Québec and the Ottawa area. As at December 31, 2016, the balance of those commitments stood at $273.5 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2016, the balance of those commitments stood at $727.4 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans are $30.5 million for 2017, based on the most recently filed actuarial report (contributions of $36.9 million were made in 2016).

Related party transactions

In 2016, the Corporation made sales to affiliated corporations in the amount of $3.0 million ($3.3 million in 2015). The Corporation made no purchases and incurred no rental expenses with related parties in 2016 ($3.4 million in 2015, included under purchases of goods and services). The sales were accounted for at the consideration agreed between the parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms), and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2016, the maximum exposure with respect to these guarantees was $24.2 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One of the Corporation's subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation's capital stock as at February 15, 2017. In addition, 1,020,000 share options were outstanding as of February 15, 2017.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	February 15, 2017	
	Issued and outstanding	Book value
Class A Shares	38,789,672	$ 8.6
Class B Shares	82,810,092	$ 313.7

On July 29, 2015, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of July 29, 2015. The purchases were made between August 13, 2015 and August 12, 2016 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All the repurchased shares were cancelled.

On August 3, 2016, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 500,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 2,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of August 3, 2016. The purchases can be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2016, the Corporation purchased and cancelled 609,300 Class B Shares for a total cash consideration of $22.7 million (413,300 Class B Shares for a total cash consideration of $12.4 million in 2015). The $20.4 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($10.8 million in 2015).

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers (or "ILECs"). The primary one in Quebecor Media's market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and in several other communities in the Province of Québec. That primary ILEC is rolling out its own Internet protocol television (or "IPTV") service throughout the country and, more specifically, in Montréal (including a portion of the greater Montréal area), Québec City, and in other locations in the Province of Québec. It has also secured licences to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in HD of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, over-the-top ("OTT") content providers, such as Netflix, Apple TV and Amazon Prime Video, as well as Canadian services such as Crave TV, compete for viewership and for a share of the monthly entertainment spending currently allocated to traditional cable television and cable service video-on-demand offerings.

Unlike Quebecor Media, OTT service providers are not subject to Canadian Radio-television and Telecommunications Commission's ("CRTC") regulations and do not have to contribute financially to the Canadian traditional television business model or Internet infrastructure. Furthermore, foreign providers with no Canadian business place are not required to charge federal and provincial sales tax. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial conditions, and results of operations.

In its Internet access business, Quebecor Media competes against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line (“DSL”), fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media’s. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media’s low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to their high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. Those third-party ISP competitors may also provide telephony, IP video services and networking applications.

Quebecor Media’s cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators, and other providers of telephony, voice over Internet Protocol (or “VoIP”) and Internet communications, including competitors that are not facility-based and therefore have a much lower infrastructure cost. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media’s business, prospects and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, “hotspots” or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides, or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. In the near future, depending on new regulations, Quebecor Media could see the emergence of non-facility-based operators in the wireless space. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking’s subscriber is still required in Canada). Also, the Internet, through wired and mobile devices, is becoming an important broadcasting and distribution platform. In addition, mobile operators, with the development of their Long-Term Evolution (also known as “LTE”) networks, are now offering wireless and fixed wireless Internet services. In addition, Quebecor Media’s VoIP telephony service also competes with Internet-based solutions.

Moreover, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential and mobile telephony services). As a result, should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing up to one subscriber for each of its services. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operation.

Fierce price competition in all Quebecor Media’s businesses and across the industries in which it operates may affect Quebecor Media’s ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operation.

Significant and rapid technological changes in Media segment

In relation to the Corporation’s Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Consumers are spending an increasing amount of time on the Internet and on mobile devices, and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These alternative technologies may increase audience fragmentation, reduce the Media segment business’s ratings, readership or circulation levels or have an adverse effect on advertising revenues from local and national advertisers. Furthermore, in Quebecor Media’s video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of Quebecor Media’s Media business’ existing television subscriber base from its services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its other services.

Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as IPTV, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, and results of operations.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, if Quebecor Media is unable to renew, or substitute for, those roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, financial condition and results of operations could be adversely affected.

Moreover, since 2015 in Canada, the CRTC has decided that each of the three national wireless incumbent carriers would be obliged to provide wholesale roaming services to regional (including Videotron) and new entrant carriers at cost-based rates. A tariff proceeding is currently underway to determine these rates. The result of the wholesale roaming tariff proceeding may have an impact on Quebecor Media roaming cost structure and on the types of retail packages it is able to offer its customers in this regard.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition, and results of operations.

Higher handset subsidies and increase in bring-your-own-device (“BYOD”) customers

Quebecor Media’s mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract. Quebecor Media also commits to a minimum subsidy per unit with the supplier of certain smartphone devices. If Quebecor Media is unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact its business, financial condition, and results of operations.

Also, with the CRTC’s Wireless Code introduced in 2013 limiting wireless term contracts to two years from three years, the number of BYOD customers with no-term contracts has increased. Such customers are under no contractual obligation to remain with Quebecor Media, which could have a material adverse effect on its churn rate and, consequently, on its business, financial condition and results of operations.

Inventory obsolescence

Quebecor Media’s various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

Quebecor Media’s strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and its demands for increased bandwidth capacity and other services. In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short term, mid term and long term in order to expand and maintain its networks, systems and services, including expenditures relating to advancements in Internet access, HD, UHD television and TV everywhere/every platform requiring IP delivery technology, the introduction of virtual reality, as well as the cost of its mobile services infrastructure deployment, maintenance and enhancement.

The demand for wireless data services has been growing at high rates and it is projected that this demand will further accelerate, driven by increases in the following: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Innovation, Science and Economic Development ("ISED") Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

The development, maintenance and enhancement of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint build-out of its LTE network. A geographical expansion or densification of its LTE network may require Quebecor Media to incur significant costs and to make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services, or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the *"Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate those agreements, it cannot guarantee that they will continue to be available on their respective terms, or on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. Quebecor Media may not be able to implement those strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement those strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented throughout the organization by a centralized office fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to those engagements, including the development of new revenue sources.

Consumers' trend to abandon cable telephony and television services

The recent trend toward mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for

Internet access services in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting customers to its OTT entertainment platforms, which could have a material adverse effect on its business, results of operation and financial condition.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are now connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home, which constitutes a departure from the past, when a majority of households were connected to the Internet through a single computer. In addition, some content on the Internet, such as videos, is now available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content, which uses even more bandwidth than HD services. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address customer needs.

Equipment costs are under pressure in an effort to counterbalance customer demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that reduce costs or implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in price increases or in reduced profitability.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, financial condition, prospects, or results of operations. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has recently made, and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that management may not be able to successfully manage the development of its Sports and Entertainment business; that the development of the Sports and Entertainment business may place significant demands on management, diverting attention from existing operations; that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; and the risk associated with a failure to make continued investments in its Sports and Entertainment business in order to respond to consumer trends and demands, which could adversely affect its ability to compete in the sports and entertainment industry.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement and upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, financial condition and results of operations. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance and maintain content quality; it must continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations, and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media segment. Quebecor Media's revenues and operating results in those businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Those economic factors affect the levels of retail and national advertising revenue of the media properties of Quebecor Media. Since a significant portion of Quebecor Media's advertising revenue is derived from retail and automotive sector advertisers, weakness in those sectors and in the real estate industry has had, and may continue to have an adverse impact on the revenues and results of operations of the Media segment. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper and magazine businesses and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations, and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to media, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry, as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to maintain its circulation base, such as investments in the re-design and overhaul of its newspaper and magazine websites and the publication of e-editions of a number of its newspapers and magazines, it may not be successful in retaining its historical share of advertising revenues or in transferring its audience to its new digital products. The ability of the Media segment to grow and succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives, developed to generate additional revenues from its websites (such as digital platform advertising and/or the paywall revenue model), may not be accepted by users and consequently may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of those initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, results of operations, financial condition, business and prospects could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates on its platforms. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, those suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for such services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, financial condition, results of operations, and prospects.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and on research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as production costs. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* (Canada) are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize, or may never materialize.

Loss of key customers

The Corporation's businesses are based primarily on customer satisfaction with reliability, timeliness, quality, and price. In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers. Quebecor Media cannot assure that it will continue to maintain favourable relationships with its customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access, cable telephony and mobile telephony services through a primary headend and its analog television services through 12 additional regional headends in a single clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyberattacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation.

Cybersecurity

The ordinary course of Quebecor Media's telecommunications and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information on its customers and employees, whether in its data centres, systems, infrastructure, networks and processes, or those of its suppliers. The secure processing, maintenance and transmission of this information is critical to its operations and business strategy.

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to, or use of sensitive data, including data on its customers, and to prevent data loss, and although ever-evolving cyberthreats require Quebecor Media to continually evaluate and adapt its data centres, systems, infrastructure, networks and processes, Quebecor Media cannot assure that its data centres, systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. If Quebecor Media is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

In addition, the preventive actions Quebecor Media takes to reduce the risks associated with cyberattacks, including protection of its data centres, systems, infrastructure, networks and processes, as well as efforts to improve the overall governance over information security and the controls within its IT systems, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

Protection of personal data

Quebecor Media stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in, and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems, or to obtain new systems to accommodate additional customer growth or support new products and services, could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, and manage operating expenses, all of which could adversely impact its financial results and position.

Malicious and abusive Internet practices

Quebecor Media's cable data, mobile data and fibre-optic connectivity business customers utilize its network to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms, and other destructive or disruptive software. Such activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volumes to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, financial condition, and results of operations.

Protection from piracy

In its cable television, Internet access, OTT and telephony business, Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, analog and digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware and equipment that are critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a limited number of suppliers and Quebecor Media therefore faces the risks of supplier disruption, including business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services and other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with content providers, comply with their technological requirements, or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial position, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Strikes and other labour protests

At December 31, 2016, 54% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 31 collective bargaining agreements.

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial position, results of operations, and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund those pension plans will not increase in the future and therefore negatively impact its operating results and financial position. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2016, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favorable terms, or at all, in the future.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2016, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $808.7 million on a consolidated basis.

Some of its suppliers source their products out of the U.S., therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations to the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changed or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to conserve cash until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial position and prospects.

Ethical business conduct

Any failure or perceived failure to adhere to Quebecor's policies, the law or ethical business practices could significantly affect its reputation and brands and could therefore negatively impact its financial performance. Quebecor's framework for managing ethical business conduct includes the adoption of a Code of Ethics, which its directors and employees are required to acknowledge and agree to on a regular basis, and, as part of an independent audit and security function, maintain a whistle-blowing hotline. There can be no assurance that these measures will be effective enough to prevent violations or perceived violations of law or ethical business practices.

Asset impairment charges

In the past, the Corporation has recorded, asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flow.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues, and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause a diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel, and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Quebecor Media's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its telecommunications business' competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and may contribute to isolating Quebecor Media from its competitors, which could have an adverse effect on its business, prospects and results of operation.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licences. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Although the federal government eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC introduced recently some form of rate regulation following its commonly referred to "Lets talk TV" public consultation on television broadcasting and distribution. Consequently, Quebecor Media must offer a reduced basic service at $25 since March 1, 2016 and offer all specialty services "à la carte", since December 1, 2016. Moreover, the CRTC adopted a Wireless Code which regulates numerous aspects of the provision of retail wireless services and, coming into effect September 1, 2017, a new Television Service Provider Code which will regulate numerous aspects of the provisions of retail television services. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing, and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences, to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), financial condition, prospects, and results of operations. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes to the policies or rules of application in Canada or in any of its provinces in connection with government incentive programs, including any change in the Québec or federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its financial condition and results of operations. Canadian content programming is also subject to certification by various federal government agencies. If programs fail to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issuance and transfer of shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's Film Production & Audiovisual Services Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian government incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced and, as a result, the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the U.S. Some producers may select locations other than Québec to take advantage of tax credit programs that they conclude to be more or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, financial condition and results of operations.

Licence renewals

Videotron's AWS-1 licences were issued in December 2008 for a 10-year term. AWS-1 licence renewal, including whether licence fees should apply for a subsequent licence term, will be the subject of a public consultation process expected to be initiated in the coming months.

Videotron's other spectrum licenses, including in the AWS-3, 700 MHz and 2500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of those respective terms, applications may be made for new licences for a subsequent term through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licences, including the terms and conditions of the new licences and whether licence fees should apply for a subsequent licence term, are expected to be determined by ISED Canada following public consultations.

If, at the end of their respective term, the licences are not renewed on acceptable terms, or at all, Quebecor Media's ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, financial condition, prospects, and results of operations.

Provision of third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to Quebecor Media's cable network and are thereby providing retail Internet access services.

In a decision issued on July 22, 2015, the CRTC ordered substantial changes to the framework for the provision of wholesale services to third-party ISPs. The provision of aggregated services will no longer be mandated and will be phased out in conjunction with the implementation of a new mandatory disaggregated service which will involve third-party ISPs provisioning their own regional transport services. This disaggregated service will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for this new disaggregated wholesale service. In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the tariff rates for the existing aggregated wholesale service. A second tariff proceeding is under way to set revised final rates for the aggregated service while work moves forward on implementing the disaggregated service. As a result of these proceedings, Quebecor Media may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products," which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied meets all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations. Videotron is currently a defendant, along with all other major wireless providers in Québec, in an authorization demand for a class action on this particular concern.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2016, it had $5.69 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2016, it had approximately $1.36 billion available for additional borrowings under its existing credit facilities on a consolidated basis ($1.18 billion pro forma the partial redemption on January 5, 2017) and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;

- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities, its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including its Senior Notes. If Quebecor's indebtedness is accelerated, Quebecor may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flow of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flow from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flow and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flow to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, financial condition, results of operations and prospects.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favorable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's Directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2016, approximately 74.25% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock-in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
As of December 31, 2016
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold		Notional amount bought	
Videotron					
Less than 1 year	1.3249	$	220.2	US$	166.2
2017[1]	1.3849	US$	260.0	$	360.1

[1] *See* footnote 1 below "Cross-currency interest rate swaps" table.

Interest rate swaps

Maturity	Notional amount		Pay/ receive	Fixed rate	Floating rate
TVA Group					
2017	$	33.0	Pay fixed/ Receive floating	2.03%	Bankers' acceptance 1 month

Cross-currency interest rate swaps

Hedged item	Hedging instrument				
	Period covered	Notional amount		Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media					
5.750% Senior Notes due 2023	2016 to 2023	US$	431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$	418.7	6.85%	0.9759
Term loan "B"	2013 to 2020	US$	338.6	Bankers' acceptance 3 months + 2.77%	1.0346

Cross-currency interest rate swaps (continued)

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024[1]	2008 to 2017	US$ 260.0	9.21%	1.2965
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039

1 Videotron initially entered into these cross-currency interest rate swaps to hedge the foreign currency risk exposure under its 9.125% Senior Notes due 2018 redeemed in 2014. These swaps are now used to set in CAN dollars all coupon payments through 2017 on US$441.4 million of notional amount under its 5.375% Senior Notes due 2024 and issued in 2014. In conjunction with the repurposing of these swaps, Videotron has entered into US$260.0 million offsetting foreign exchange forward contracts to lock in the value of its hedging position related to the December 15, 2017 notional exchange.

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses or gains on valuation and translation of financial instruments for 2016 and 2015 are summarized in Table 15.

Table 15
Loss (gain) on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2016	2015
Loss (gain) on embedded derivatives related to convertible debentures	**$ 68.2**	$ **(10.5)**
Loss (gain) on the ineffective portion of fair value hedges	**2.0**	**(3.6)**
Loss on the ineffective portion of cash flow hedges	**0.1**	**1.6**
(Gain) loss on embedded derivatives related to long term debt	**(0.2)**	**6.2**
Loss (gain) on reversal of embedded derivatives on debt redemption	**0.2**	**(0.4)**
	$ 70.3	$ **(6.7)**

A loss on cash flow hedges of $30.9 million was recorded under “Other comprehensive income” in 2016 (gain of $14.0 million in 2015).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or of the Corporation.

The fair value of early settlement options recognized as embedded derivatives and embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long term debt, convertible debentures and derivative financial instruments as of December 31, 2016 and December 31, 2015 are as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	December 31, 2016		December 31, 2015	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5 700.8)**	**$ (5 866.6)**	$ (5 892.5)	$ (5 894.9)
Convertible debentures[3]	**(780.0)**	**(780.0)**	(706.4)	(706.4)
Derivative financial instruments[4]				
Early settlement options	**0.4**	**0.4**	1.0	1.0
Foreign exchange forward contracts[5]	**2.5**	**2.5**	9.3	9.3
Interest rate swaps	**(0.3)**	**(0.3)**	(0.8)	(0.8)
Cross-currency interest rate swaps[5]	**806.5**	**806.5**	945.2	945.2

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of the long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $808.7 million as of December 31, 2016 ($953.7 million as of December 31, 2015).

5 The value of foreign exchange forward contracts entered into to lock in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2016, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2016, 13.0% of trade receivables were 90 days past their billing date (10.4% as of December 31, 2015) of which 32.5 % had an allowance for doubtful accounts (40.4% as of December 31, 2015).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2016 and 2015:

		2016		2015
Balance at beginning of year	**$**	**23.0**	$	21.8
Charged to income		**36.1**		32.1
Utilization		**(31.0)**		(30.9)
Balance at end of year	**$**	**28.1**	$	23.0

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 6.1 years as of December 31, 2016 (6.1 years pro forma the partial redemption on January 5, 2017), compared to 7.0 years as of December 31, 2015 (*see* also "Contractual Obligations" above).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market-risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2016, to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures, and to lock in the value of certain derivative financial instruments through offsetting transactions. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2016 is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10	**$ 2.0**	**$ 43.0**
Decrease of $0.10	**(2.0)**	**(43.0)**

A variance of $0.10 in the 2016 average exchange rate of CAN dollar per one U.S. dollar would had resulted in a variance of $4.0 million on unhedged purchase of goods and services in 2016 and $6.5 million on unhedged acquisitions of tangible and intangible assets in 2016.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2016, after taking into account the hedging instruments, long-term debt was comprised of 83.2% fixed-rate debt (79.6% pro forma the partial redemption on January 5, 2017), compared to 82.5% as of December 31, 2015 and 16.8% floating-rate debt (20.4% pro forma the partial redemption on January 5, 2017), compared to 17.5% as of December 31, 2015.

The estimated sensitivity on interest payments, of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2016 was $8.2 million.

The estimated sensitivity on income and on Other comprehensive income, before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments as of December 31, 2016, as per the Corporation's valuation models, is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of 100 basis points	**$ (2.4)**	**$ (37.3)**
Decrease of 100 basis points	**2.4**	**37.3**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance of new debt, the repayment of existing debt using cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments, less cash and cash equivalents. The capital structure as of December 31, 2016 and 2015 was as follows:

Table 17
Capital structure of Quebecor
(in millions of Canadian dollars)

		2016		2015
Bank indebtedness	**$**	**18.9**	$	34.3
Long-term debt		**5,668.7**		5,856.4
Embedded derivatives related to convertible debentures		**290.0**		221.7
Convertible debentures		**500.0**		500.0
Derivative financial instruments		**(808.7)**		(953.7)
Cash and cash equivalents		**(22.3)**		(18.6)
Net liabilities		**5,646.6**		5,640.1
Equity	**$**	**847.2**	$	652.0

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, the declaration and payment of dividends or other distributions.

Contingencies

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation and its subsidiaries, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under "Deferred revenue" when customers are invoiced.

<u>Telecommunications</u>

The Telecommunications segment provides services under arrangements with multiple deliverables, for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony and over-the-top video service, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and over-the-top video service are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related

equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;

- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers, magazines, books and entertainment products are recognized on delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment leasing revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- Revenues from leasing, and from ticket (including season tickets), food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues from the rental of suites are recognized ratably over the period of the agreement;
- Revenues from the sale of advertising under the form of venue signage or sponsorships, are recognized ratably over the period of the agreement;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, other intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment loss had previously been recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2016 was $2.73 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2016 was $781.5 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changes its conclusion in the future, as it did in 2015.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on interest and principal payments on foreign currency denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt, and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the

interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in "Other comprehensive income" until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated Other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors, and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future, for the purpose of calculating the limit on the net benefit asset, is based on a number of assumptions, including future service costs and reductions in future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of these assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") and performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of the stock-based compensation liability may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time, and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Change in accounting estimates

In the second quarter of 2015, the Corporation changed its assessment of the useful life of its spectrum licences used in the operations of its Telecommunications segment. In light of recent spectrum auctions and developments in the telecommunications industry, the Corporation is now of the view that these spectrum licences have an indefinite useful life, based on the following facts:

- The Corporation intends to renew the spectrum licences and believes that they are likely to be renewed by ISED Canada;
- The Corporation has the financial and operational ability to renew these spectrum licences;
- Currently, the competitive, legal and regulatory landscape does not limit the useful lives of the spectrum licences;
- The Corporation foresees no limit to the period during which these licences can be expected to generate cash flows in the future.

Accordingly, the Corporation ceased to amortize spectrum licences used in its operations as of April 1, 2015, and no amortization expense has been recorded after that date. The straight-line amortization expense recorded relating to these licences was $13.9 million in 2015.

Recent accounting pronouncements

i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

   IFRS 9 simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

   The Corporation does not expect its consolidated financial statements to be materially impacted by the adoption of IFRS 9.

ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

   IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

   The Corporation expects that the adoption of IFRS 15 will have significant impacts on its consolidated financial statements, more specifically in its Telecommunications segment, with regards to the timing in the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs to obtain a contract and of certain other costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will need to be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile services under contracts with multiple deliverables. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same.

In addition, under IFRS 15, certain costs to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues.

iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided that IFRS 15 is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since all of the Corporation segments are engaged in various long-term leases on premises and equipment.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. As operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

Controls and procedures

In accordance with Regulation 52-109 on *Certification of Disclosure in Issuers' Annual and Interim Filings*, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2016, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation.

Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2016 and ending December 31, 2016.

Additional Information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;

- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing its network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, telephony and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 15, 2017, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 15, 2017

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2016, 2015 and 2014
(in millions of Canadian dollars, except per share data)

	2016	2015	2014
Operations			
Revenues	**$ 4,016.6**	$ 3,890.8	$ 3,619.8
Adjusted operating income	**1,494.1**	1,440.7	1,409.8
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**305.5**	239.9	209.7
(Loss) gain on valuation and translation of financial instruments	**(68.4)**	4.7	(95.3)
Unusual items	**(42.4)**	(79.0)	(85.4)
Discontinued operations	**-**	(13.8)	(59.1)
Net income (loss) attributable to shareholders	**194.7**	151.8	(30.1)
Cash flows provided by continuing operating activities	**1,113.0**	1,072.2	960.7
Basic data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 2.49**	$ 1.95	$ 1.70
(Loss) gain on valuation and translation of financial instruments	**(0.56)**	0.04	(0.77)
Unusual items	**(0.34)**	(0.64)	(0.69)
Discontinued operations	**-**	(0.11)	(0.48)
Net income (loss) attributable to shareholders	**1.59**	1.24	(0.24)
Dividends	**0.17**	0.13	0.10
Equity attributable to shareholders	**3.72**	2.44	4.10
Weighted average number of shares outstanding (in millions)	**122.3**	122.7	123.0
Diluted data per share			
Contribution to net income (loss) attributable to shareholders:			
Continuing operations	**$ 2.24**	$ 1.78	$ 1.57
Dilution impact	**0.24**	-	0.13
Loss on valuation and translation of financial instruments	**(0.56)**	(0.04)	(0.78)
Unusual items	**(0.34)**	(0.55)	(0.69)
Discontinued operations	**-**	(0.10)	(0.47)
Net income (loss) attributable to shareholders	**1.58**	1.09	(0.24)
Diluted weighted average number of shares (in millions)	**122.7**	143.7	123.0
Financial position			
Working capital	**$ (429.9)**	$ (328.1)	$ 90.2
Long-term debt	**5,616.9**	5,812.4	5,048.2
Equity attributable to shareholders	**455.2**	298.9	504.0
Equity	**847.2**	652.0	1,063.3
Total assets	**9,262.3**	9,275.9	9,078.5

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

				2016				2015
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Revenues	**$ 1,050.4**	**$ 998.3**	**$ 992.5**	**$ 975.4**	$ 1,023.5	$ 974.5	$ 963.8	$ 929.0
Adjusted operating income	**389.3**	**389.8**	**360.3**	**354.7**	360.8	391.4	349.3	339.2
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**84.7**	**83.2**	**69.9**	**67.7**	58.0	74.0	66.5	41.4
Gain (loss) on valuation and translation of financial instruments	**50.0**	**(68.2)**	**(57.0)**	**6.8**	(85.5)	51.1	47.7	(8.6)
Unusual items	**(11.4)**	**(23.3)**	**(3.1)**	**(4.6)**	(6.6)	(38.1)	(33.0)	(1.3)
Discontinued operations	**-**	**-**	**-**	**-**	(0.7)	(1.9)	(9.1)	(2.1)
Net income (loss) attributable to shareholders	**123.3**	**(8.3)**	**9.8**	**69.9**	(34.8)	85.1	72.1	29.4
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.69**	**$ 0.68**	**$ 0.57**	**$ 0.55**	$ 0.47	$ 0.60	$ 0.54	$ 0.34
Gain (loss) on valuation and translation of financial instruments	**0.41**	**(0.56)**	**(0.47)**	**0.06**	(0.70)	0.42	0.39	(0.07)
Unusual items	**(0.09)**	**(0.19)**	**(0.02)**	**(0.04)**	(0.05)	(0.31)	(0.27)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	(0.02)	(0.07)	(0.02)
Net income (loss) attributable to shareholders	**1.01**	**(0.07)**	**0.08**	**0.57**	(0.28)	0.69	0.59	0.24
Weighted average number of shares outstanding (in millions)	**122.1**	**122.3**	**122.4**	**122.5**	122.5	122.7	122.8	122.9
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.62**	**$ 0.61**	**$ 0.51**	**$ 0.50**	$ 0.43	$ 0.54	$ 0.49	$ 0.32
Dilution impact	**-**	**0.07**	**0.06**	**-**	0.04	-	-	0.02
Gain (loss) on valuation and translation of financial instruments	**-**	**(0.56)**	**(0.47)**	**(0.01)**	(0.70)	-	-	(0.07)
Unusual items	**(0.08)**	**(0.19)**	**(0.02)**	**(0.03)**	(0.05)	(0.27)	(0.23)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	(0.01)	(0.07)	(0.02)
Net income (loss) attributable to shareholders	**0.54**	**(0.07)**	**0.08**	**0.46**	(0.28)	0.26	0.19	0.24
Weighted average number of diluted shares outstanding (in millions)	**143.3**	**122.3**	**122.8**	**143.6**	122.5	143.7	143.9	123.2

This is Exhibit 55 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company with an 81.53% interest in Quebecor Media Inc., one of Canada's largest media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, "Quebecor" or the "Corporation" in this Management Discussion and Analysis refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital d'Amérique Investissement inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec, for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

On November 15, 2017, the Corporation carried out a two-for-one split of the Corporation's outstanding Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017. As a result, all references to numbers of shares, per-share amounts and stock-based compensation have been restated retroactively to reflect the split.

During the fourth quarter of 2017, the Corporation changed its organizational structure and transferred its book publishing and distribution operations and music distribution and production operations from the Media segment to the Sports and Entertainment segment. Accordingly, prior-period figures in the Corporation's segmented reporting have been reclassified to reflect these changes.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: cable television; Internet access; mobile and cable telecommunications; over-the-top ("OTT") video service; business solutions (including data hosting centres); broadcasting; soundstage and equipment rental and postproduction services for the film and television industries; newspaper publishing and distribution; Internet portals and specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier mobile and cable communication service provider. Quebecor Media holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and in Internet-related services that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

HIGHLIGHTS SINCE END OF 2016

- Quebecor's revenues totalled $4.12 billion in 2017, a $105.8 million (2.6%) increase from 2016.
- In 2017, Quebecor announced corporate management changes:
  - On February 16, 2017, Pierre Karl Péladeau returned to the position of President and Chief Executive Officer of Quebecor and Quebecor Media, replacing Pierre Dion, who was appointed Chair of the Board of Quebecor Media and a director of Quebecor.
  - On October 13, 2017, Julie Tremblay resigned as President and Chief Executive Officer of TVA Group Inc. ("TVA Group") and President and Chief Executive Officer of Quebecor Media Group to take retirement. On the same date, France Lauzière was named President and Chief Executive Officer of TVA Group, while retaining her responsibilities as Chief Content Officer of Quebecor Content. Newspaper, printing, music, book publishing and out-of-home operations have since reported to Pierre Karl Péladeau.

Telecommunications

- The Telecommunications segment grew its revenues by $133.3 million (4.2%) and its adjusted operating income by $84.6 million (5.8%) in 2017.
- In 2017, Videotron significantly increased its revenues from mobile telephony ($99.4 million or 19.5%), Internet access ($52.2 million or 5.3%), business solutions ($13.4 million or 12.1%) and the Club illico OTT video service ("Club illico") ($8.3 million or 26.4%).
- Videotron's average monthly revenue per user ("ARPU") increased by $9.73 (6.7%) from $144.86 in 2016 to $154.59 in 2017.
- Net increase of 115,700 revenue-generating units[1] (2.0%) in 2017, including increases of 130,100 subscriber connections to the mobile telephony service, 46,900 subscriptions to Club illico and 53,700 customers for the cable Internet access service, the largest annual increase for Internet access since 2013.
- On November 8, 2017, Videotron added the millionth subscriber connection to its residential and business mobile telephony services. In the space of seven years, Videotron has joined the ranks of telecommunications industry leaders.
- On August 29, 2017, Videotron announced an agreement with Comcast Corporation, a multinational telecommunications, media and technology company. The strategic partnership is aimed at developing an innovative IPTV solution based on Comcast Corporation's XFINITY X1 platform in order to provide Videotron customers with a superior television experience featuring faster, more intuitive, more user-friendly navigation of a diverse selection of content, including on-demand television shows, movies and concerts, as well as Web videos and apps, and also affording an opportunity to highlight Quebecor Media's own content.
- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw Communications Inc. ("Shaw") for a cash consideration of $430.0 million. The sale included three 700 MHz licences covering southern Ontario and the entirety of the provinces of Alberta and British Columbia, and four 2500 MHz licences covering the major urban centres in those provinces, namely Toronto, Edmonton, Calgary and Vancouver. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its Advanced Wireless Services ("AWS-1") spectrum licence in the Metropolitan Toronto area to Rogers Communications Canada Inc. ("Rogers") for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.
- On January 12, 2017, 4Degrees Colocation Inc. ("4Degrees Colocation"), a subsidiary of Videotron, announced an agreement with Megaport (USA), Inc., a global leader in secure interconnectivity, which will allow business customers to link directly to the world's largest providers of public cloud services. Customers will enjoy fast, secure, redundant access to business applications from three leading information and communications technology providers: Microsoft Corporation (Azure, Office 365, Exchange), Amazon Web Services Inc. and Google.

Media

- In 2017, the Media segment increased its adjusted operating income by $15.4 million (28.6%), mainly because of higher advertising and subscription revenues at its broadcasting business, lower labour and content costs, and the impact of higher revenues from film production and audiovisual services.
- According to the fall 2017 Vividata survey, *Le Journal de Montréal*, *Le Journal de Québec* and the free daily *24 heures Montréal* remain Québec's news leaders with more than 4.0 million readers per week across all platforms (print, mobile and Web). TVA Group remains a leading player in the Canadian magazine industry with an average of nearly 9.8 million readers across all platforms.
- In 2017, Mels Studios and Postproduction G.P. ("MELS") posted a strong increase in volume on the strength of its soundstage and equipment rental services, most recently for the latest instalment in the successful American *X-Men* action movie franchise. MELS earned numerous industry awards for sound editing and visual effects for various productions, including an Iris award in the Best Sound category in June 2017 for the film *Two Lovers and a Bear* and three Canadian Screen Awards for Achievement in Visual Effects, Achievement in Sound Editing and Achievement in Overall Sound in March 2017 for the film *Race*.

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[1] The sum of subscriptions to the cable Internet access, cable television and Club illico services, plus subscriber connections to the mobile and cable telephony services.

- On June 14, 2017, Quebecor Content announced an agreement with Blue Ant International, a division of leading global content distributor Blue Ant Media. Under the agreement, which is a Québec first, Blue Ant International will provide 4K content for Videotron's Indigo, illico and Club illico platforms.
- In spring 2017, the TVA Sports specialty service posted the best Québec ratings for the Stanley Cup finals since 2008. Prior to 2014, the Stanley Cup playoffs were broadcast on a rival network. The audience for the finals between the Pittsburgh Penguins and the Nashville Predators averaged 962,000 and peaked at 1.22 million, for a 36.6% market share.
- On March 1, 2017, the Media segment announced a partnership agreement with Tuango Inc. ("Tuango"), Québec's largest online promotional network. Businesses can now barter their goods and services for advertising space on Quebecor's media properties instead of making a monetary payment. The Media segment can therefore sell advertising space on its television channels and digital sites, in its newspapers and magazines, and on its out-of-home networks in exchange for goods and services, from which it derives revenues by reselling them on Tuango.
- On January 10, 2017, the Montreal Impact, a Major League Soccer ("MLS") team, and Quebecor announced an agreement making TVA Sports the exclusive French-language broadcaster of Montreal Impact and an official MLS broadcaster for the next five years. TVA Sports broadcasts all Montreal Impact regular season and playoff games, the All-Star Game and the MLS Cup playoffs, including the final. The agreement enriches TVA Sports' programming with coverage of a sport that is growing fast in Québec and makes it possible to disseminate that content on all of Quebecor's media platforms.

Sports and Entertainment

- In September 2017, the Videotron Centre completed its second year of operation. During that period, the Videotron Centre hosted 82 sporting events and concerts, as well as 17 corporate events. In all, nearly 845,000 people passed through the turnstiles. In April 2017, *Billboard* magazine ranked the Videotron Centre number 4 on its list of Top Canadian Venues, based on concert receipts.
- On August 11, 2017, Martin Tremblay was named Chief Operating Officer of Quebecor Sports and Entertainment Group. He joined Quebecor in 2010 and had been Vice President, Public Affairs of Quebecor since 2012.
- On April 4, 2017, Event Management Gestev Inc. ("Gestev") announced the acquisition of Montréal-based marketing agency Wasabi atelier expérientiel inc. The transaction expanded Gestev's experiential marketing and sponsorship activation capabilities and extended its reach in the Montréal market.

Financial transactions

- On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017.
- On October 12, 2017, the Corporation increased its secured revolving credit facility from $150.0 million to $300.0 million.
- On September 29, 2017, the Corporation paid down its existing $30.1 million mortgage loan. On the same day, the Corporation contracted a new $50.0 million mortgage loan at a fixed interest rate of 3.757%, maturing in October 2022.
- On July 14, 2017, Quebecor received a notice regarding the conversion of convertible debentures in the principal amount of $50.0 million for 4,155,844 Class B Shares of Quebecor. The Corporation exercised its cash payment option and paid $95.2 million on September 6, 2017.
- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%, while CDP Capital's interest decreased from 18.93% to 18.47%.
- On May 4, 2017, Videotron transferred all then-existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.
- On May 1, 2017, Quebecor Media fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount.
- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount, in

accordance with a notice issued on March 31, 2017. The repurchase followed the redemption on January 5 2017 of an initial $175.0 million tranche of the Notes.

- On April 13, 2017, Videotron issued US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027, for net proceeds of $794.5 million, net of financing fees of $9.9 million.

TREND INFORMATION

Competition continues to be intense in the cable and alternative multichannel broadcast distribution industry and in the mobile telephony market. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its cable and mobile networks, the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure maintenance and enhancement, as well as costs relating to advancements in Internet access and TV everywhere, including higher capacity, lower latency and higher speeds, requiring IP technology, and the introduction of new technologies such as virtual reality, the Internet of Things ("IoT"). In addition, the demand for wireless data services has been growing constantly and it is projected to continue growing in the future. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to support this traffic. The Telecommunications segment may have to acquire additional spectrum in the future, if available.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, in the newspapers and magazines businesses in particular, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, the broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift not only toward specialty channels, but also toward content delivery platforms that allow users greater control over content and timing, such as the Internet, video on demand and mobile devices. Audience fragmentation has prompted many advertisers to review their strategies in media placement. The Media segment is taking steps to adjust to the profound changes occurring in the broadcasting industry to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want. Moreover, newspaper circulation, measured in terms of copies sold, has been declining in the newspaper industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and retail industry consolidation. In order to respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including specialized websites and portals.

The Sports and Entertainment segment has made and is continuing to make significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required in order to expand the Sports and Entertainment segment. In the books and music businesses, digital technology is disrupting buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats.

INTEREST IN SUBSIDIARIES

As of December 31, 2017, Quebecor held an 81.53% interest in Quebecor Media. The Corporation's interest in Quebecor Media increased from 75.36% to 81.07% on September 9, 2015, and from 81.07% to 81.53% on July 6, 2017, as a result of purchases by Quebecor Media of part of the interest in its equity held by CDP Capital. Table 1 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2017.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
At December 31, 2017

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years, with the exception of the following:

On March 20, 2015, TVA Group completed a rights offering whereby it received net proceeds totalling $110.0 million from the issuance of 19,434,629 Class B Non-Voting Shares, participating, without par value, of TVA Group ("TVA Group Class B Shares"). Under the rights offering, Quebecor Media subscribed for 17,300,259 TVA Group Class B Shares at a total cost of $97.9 million. As a result, its total interest in TVA Group's equity increased from 51.5% to 68.4%.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted operating income, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted operating income

In its analysis of operating results, the Corporation defines adjusted operating income, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, (loss) gain on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and other assets, loss on debt refinancing, income taxes, and income from discontinued operations. Adjusted operating income as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted operating income in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted operating income is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted operating income may not be the same as similarly titled measures reported by other companies.

Table 2 below provides a reconciliation of adjusted operating income to net income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2017 and 2016 presented in Table 2 below is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted operating income measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended Dec. 31		Three months ended Dec. 31	
	2017	2016	**2017**	2016
Adjusted operating income (loss):				
Telecommunications	**$ 1,534.0**	$ 1,449.4	**$ 388.8**	$ 364.6
Media	**69.3**	53.9	**22.4**	25.0
Sports and Entertainment	**6.2**	2.3	**2.3**	(1.3)
Head Office	**(16.1)**	(11.5)	**(1.6)**	1.0
	1,593.4	1,494.1	**411.9**	389.3
Depreciation and amortization	**(712.4)**	(653.0)	**(194.1)**	(167.3)
Financial expenses	**(309.0)**	(328.0)	**(77.5)**	(84.4)
(Loss) gain on valuation and translation of financial instruments	**(199.8)**	(70.3)	**(8.1)**	47.8
Restructuring of operations, litigation and other items	**(17.2)**	(28.0)	**(9.9)**	(13.3)
Gain on sale of spectrum licences	**330.9**	–	**–**	–
Impairment of goodwill and other assets	**(43.8)**	(40.9)	**–**	–
Loss on debt refinancing	**(15.6)**	(7.3)	**–**	(7.3)
Income taxes	**(138.0)**	(117.8)	**(36.2)**	(21.4)
Income from discontinued operations	**14.6**	–	**0.3**	–
Net income	**$ 503.1**	$ 248.8	**$ 86.4**	$ 143.4

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before (loss) gain on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and other assets, loss on debt refinancing, net of income tax related to adjustments and of net income attributable to non-controlling interest related to adjustments, and before income from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of the financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2017 and 2016 presented in Table 3 below is drawn from the unaudited consolidated statements of income.

Table 3
Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended Dec. 31		Three months ended Dec. 31	
	2017	2016	**2017**	2016
Adjusted income from continuing operating activities	**$ 330.0**	$ 305.5	**$ 78.7**	$ 84.7
(Loss) gain on valuation and translation of financial instruments	**(199.8)**	(70.3)	**(8.1)**	47.8
Restructuring of operations, litigation and other items	**(17.2)**	(28.0)	**(9.9)**	(13.3)
Gain on sale of spectrum licences	**330.9**	–	**–**	–
Impairment of goodwill and other items	**(43.8)**	(40.9)	**–**	–
Loss on debt refinancing	**(15.6)**	(7.3)	**–**	(7.3)
Income taxes related to adjustments[1]	**16.0**	11.5	**2.9**	7.8
Net income attributable to non-controlling interest related to adjustments	**(42.7)**	24.2	**1.7**	3.6
Discontinued operations	**11.9**	–	**0.3**	–
Net income attributable to shareholders	**$ 369.7**	$ 194.7	**$ 65.6**	$ 123.3

1 Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash flows from segment operations

Cash flows from segment operations represents adjusted operating income, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

KEY PERFORMANCE INDICATOR

The Corporation uses ARPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly revenues per average basic customer from its cable television, Internet access, cable and mobile telephony services and Club illico. ARPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ARPU may not be the same as identically titled measurements reported by other companies. The Corporation calculates ARPU by dividing the combined revenues from its cable television, Internet access, cable and mobile telephony services and Club illico by the average number of basic customers during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2017/2016 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.12 billion, a $105.8 million (2.6%) increase.

- Revenues increased in Telecommunications ($133.3 million or 4.2% of segment revenues).
- Revenues decreased in Media ($19.3 million or -2.4%) and in Sports and Entertainment ($3.7 million or -2.0%).

Adjusted operating income: $1.59 billion, a $99.3 million (6.6%) increase.

- Adjusted operating income increased in Telecommunications ($84.6 million or 5.8% of segment adjusted operating income), Media ($15.4 million or 28.6%) and Sports and Entertainment ($3.9 million).
- There was an unfavourable variance at Head Office ($4.6 million), mainly because of higher philanthropic and IT costs.
- The change in the fair value of Quebecor Media stock options resulted in a $0.9 million favourable variance in the stock-based compensation charge in 2017 compared with 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.2 million favourable variance in the Corporation's stock-based compensation charge in 2017.

Net income attributable to shareholders: $369.7 million ($1.53 per basic share) in 2017, compared with $194.7 million ($0.80 per basic share) in 2016, an increase of $175.0 million ($0.73 per basic share).

- The favourable variance was due primarily to:
  - $330.9 million gain on the sale of spectrum licences recognized in 2017, including $165.5 million without any tax consequences;
  - $99.3 million increase in adjusted operating income;
  - $19.0 million decrease in financial expenses;
  - $14.6 million favourable variance in income from discontinued operations;
  - $10.8 million favourable variance in the charge for restructuring of operations, litigation and other items.

  Partially offset by:
  - $129.5 million unfavourable variance in the loss on valuation and translation of financial instruments, including $129.2 million without any tax consequences;
  - $79.3 million unfavourable variance in non-controlling interest;
  - $59.4 million increase in the depreciation and amortization charge;
  - $20.2 million increase in the income tax expense;
  - $8.3 million unfavourable variance in the loss on debt refinancing.

Adjusted income from continuing operating activities: $330.0 million ($1.37 per basic share) in 2017, compared with $305.5 million ($1.25 per basic share) in 2016, an increase of $24.5 million ($0.12 per basic share).

Depreciation and amortization charge: $712.4 million, a $59.4 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of revising the depreciation period for some telecommunications network components.

Financial expenses: $309.0 million, a $19.0 million decrease caused mainly by lower average indebtedness, the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, a favourable variance in gains and losses on foreign currency translation of short-term monetary items, and higher interest revenues generated by increased liquidity.

Loss on valuation and translation of financial instruments: $199.8 million in 2017 compared with $70.3 million in 2016. The $129.5 million unfavourable variance was essentially due to a $129.2 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $17.2 million in 2017, compared with $28.0 million in 2016, a $10.8 million favourable variance.

- A $17.2 million net charge was recognized in 2017 in connection with cost-reduction initiatives in the Corporation's various segments, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes ($28.0 million in 2016).

Gain on sale of spectrum licences: $330.9 million in 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers for a cash consideration of $184.2 million, pursuant to the transfer option held by Videotron since 2013. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.
- It should be noted that these transactions led to recognition in the second quarter of 2017 of tax benefits in the amount of $31.8 million arising from prior year tax losses, thereby reducing the Corporation's tax expense.

Charge for impairment of goodwill and other assets: $43.8 million in 2017, compared with $40.9 million in 2016, a $2.9 million unfavourable variance.

- In 2017 and 2016, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, was recorded in 2017 ($40.1 million without any tax consequences in 2016). As well, a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, was recognized in 2017 (nil in 2016).
- In 2017, an additional $1.4 million charge for impairment of intangible assets was recognized in the Corporation's other segments ($0.8 million in 2016).

Loss on debt refinancing: $15.6 million in 2017, compared with $7.3 million in 2016, an $8.3 million unfavourable variance.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $5.2 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.

Income tax expense: $138.0 million (effective tax rate of 21.4%) in 2017 compared with $117.8 million (effective tax rate of 24.8%) in 2016, a $20.2 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the impact of the increase in taxable income for tax purposes, partially offset by one-time items that had a favourable impact on comparative effective tax rates.
- The favourable variance in effective income tax rates was mainly due to recognition in 2017 of tax benefits arising from prior year tax losses. Meanwhile, the lowering of future tax rates in Québec had a favourable impact on the effective tax rate in 2016 due to the corresponding reduction in deferred tax balances on the balance sheet.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,873,700 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital cable television services, including video on demand, pay-per-view and pay TV; cable telephony services; and Club illico. Videotron also includes Videotron Business, a full-service business telecommunications provider that offers mobile and cable telephony, high-speed data transmission, Internet access, hosting, and cable television services.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2017 operating results

Revenues: $3.29 billion in 2017, a $133.3 million (4.2%) increase.

- Revenues from the mobile telephony service increased $99.4 million (19.5%) to $609.8 million, essentially due to an increase in the number of subscriber connections and higher net revenue per connection.
- Revenues from Internet access service increased $52.2 million (5.3%) to $1.03 billion, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, and customer growth, partially offset by increased discounts and a decrease in overage charges.
- Combined revenues from all cable television services decreased $14.7 million (-1.4%) to $1.01 billion, due primarily to the impact of the net decrease in the customer base, lower per-customer revenues and higher discounts, partially offset by increased revenues from the leasing of digital set-top boxes and the impact of increases in some rates.
- Revenues from the cable telephony service decreased $27.0 million (-6.4%) to $397.8 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues and lower discounts.
- Revenues from Club illico increased $8.3 million (26.4%) to $39.7 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased $13.4 million (12.1%) to $124.6 million, due primarily to the impact of higher revenues at 4Degrees Colocation and Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales increased $2.9 million (5.4%) to $56.5 million, mainly because of an increase in the number of mobile devices sold and reduced discounts on sales of digital set-top boxes.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $1.2 million (-16.0%) to $6.3 million, mainly because of store closures.
- Other revenues were stable compared with 2016 at $10.0 million.

ARPU: $154.59 in 2017 compared with $144.86 in 2016, a $9.73 (6.7%) increase.

Customer statistics

Revenue-generating units – As of December 31, 2017, the total number of revenue-generating units stood at 5,881,100, an increase of 115,700 (2.0%) in 2017 compared with an increase of 117,900 in 2016 (Table 4). Revenue-generating units are the sum of subscriptions to the cable Internet access, cable television and Club illico services, plus subscriber connections to the mobile and cable telephony services.

Mobile telephony – As of December 31, 2017, the number of subscriber connections to the mobile telephony service stood at 1,024,000, an increase of 130,100 (14.6%) in 2017 compared with an increase of 125,300 in 2016 (Table 4).

Cable Internet access – As of December 31, 2017, the number of subscribers to cable Internet access services stood at 1,666,500, an increase of 53,700 (3.3%) in 2017, the largest annual increase since 2013, compared with an increase of 44,600 in 2016 (Table 4). At December 31, 2017, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,873,700 homes and businesses passed by Videotron's network as of December 31, 2017, up from 2,839,300 one year earlier) of 58.0% compared with 56.8% a year earlier.

Cable television – The combined customer base for all Videotron cable television services decreased by 50,400 (-3.0%) in 2017 compared with a decrease of 46,000 in 2016 (Table 4). As of December 31, 2017, Videotron had 1,640,500 subscribers to its cable television services. The household and business penetration rate was 57.1% versus 59.6% a year earlier.

- As of December 31, 2017, the number of subscribers to the illico Digital TV service stood at 1,640,500, an increase of 53,400 (3.4%) in 2017 due in part to the impact of the program to migrate all analog service customers to digital service, compared with an increase of 16,500 in 2016. As of December 31, 2017, illico Digital TV had a household and business penetration rate of 57.1% versus 55.9% a year earlier.
- As of December 31, 2017, substantially all subscribers to the analog cable television service had migrated to digital service.

Cable telephony – As of December 31, 2017, the number of subscribers to the cable telephony service stood at 1,188,500, a decrease of 64,600 (-5.2%) in 2017 compared with a decrease of 63,200 in 2016 (Table 4). At December 31, 2017, the cable telephony service had a household and business penetration rate of 41.4% versus 44.1% a year earlier.

Club illico – As of December 31, 2017, the number of subscribers to Club illico stood at 361,600, an increase of 46,900 (14.9%) in 2017 compared with an increase of 57,200 in 2016 (Table 4).

Table 4
Telecommunications segment year-end customer numbers (2013-2017)
(in thousands of customers)

	2017	2016	2015	2014	2013
Mobile telephony[1]	**1,024.0**	893.9	768.6	632.8	504.3
Cable Internet	**1,666.5**	1,612.8	1,568.2	1,537.5	1,506.0
Cable television:					
Analog	–	103.8	166.3	228.7	297.7
Digital	**1,640.5**	1,587.1	1,570.6	1,553.6	1,527.4
	1,640.5	1,690.9	1,736.9	1,782.3	1,825.1
Cable telephony[1]	**1,188.5**	1,253.1	1,316.3	1,349.0	1,348.5
Club illico	**361.6**	314.7	257.5	177.7	58.2
Total (revenue-generating units)	**5,881.1**	5,765.4	5,647.5	5,479.3	5,242.1

[1] In thousands of connections

Adjusted operating income: $1.53 billion, an $84.6 million (5.8%) increase caused primarily by:

- impact of the revenue increase.

Partially offset by:

- increases in some operating expenses, including engineering and IT costs;
- impact of the increased loss incurred on device sales due to:
  - o impact of the increase in the number of mobile devices sold at a loss, partially offset by the favourable impact of “bring-your-own-device” (“BYOD”) plans.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.3% in 2017 compared with 54.0% in 2016, due mainly to the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from operations

Cash flows from segment operations: $832.9 million in 2017 compared with $660.4 million in 2016 (Table 5).

- The $172.5 million increase was due to an $85.7 million decrease in additions to property, plant and equipment and to intangible assets, reflecting in part decreased investment in 4Degrees Colocation and in the LTE network, and to the $84.6 million increase in adjusted operating income.

Table 5: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	2017	2016
Adjusted operating income	**$ 1,534.0**	$ 1,449.4
Additions to property, plant and equipment	**(574.4)**	(666.8)
Additions to intangible assets (excluding spectrum licences)	**(132.3)**	(125.6)
Proceeds from disposal of assets (excluding spectrum licences)	**5.6**	3.4
Cash flows from segment operations	**$ 832.9**	$ 660.4

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels TVA Sports, LCN, addikTV, Prise 2, Yoopa, CASA and MOI&cie. TVA Group also holds interests in two other TVA Network affiliates and the Évasion specialty channel. As well, TVA Group is engaged in commercial production, dubbing, custom publishing and premedia services, and in the distribution of audiovisual products through its TVA Films division. As well, TVA Group operates the TVA Nouvelles and TVA websites and mobile apps, which reach more than three million Internet users per month (source: ComScore, December 2017), and the *TVA.ca* site and mobile app, which provide access to live-streaming of TVA Group's channels and archived content and shows.

TVA Group also owns MELS, a provider of soundstage and equipment rental, postproduction and visual effects services to the film and television industries.

Through its subsidiaries, TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language magazines in various categories, including show business, television, fashion, sports, and decorating, and operates a number of websites, including *coupdepouce.com*, *canadianliving.com* and *recettes.qc.ca*. TVA Group is the largest magazine publisher in Québec. On January 26, 2018, TVA Group sold the assets associated with *The Hockey News* to Roustan Media Ltd.

Quebecor Media's Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures Montréal* and the J5 app, which provides real-time access to news on mobile devices, tablets and Apple Watch. The websites of the paid dailies, *journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with nearly four million visitors per month (source: ComScore, December 2017). According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2017 was approximately 2.6 million copies per week in print and electronic formats.

The Media segment also operates a number of other digital brands, including *Le Sac de Chips, Pèse sur Start*, *Silo 57*, *Tabloïd*, *Canoë.ca* – a French-language news and services portal for the general public – and the automotive site *Autonet.ca*.

The Media segment's apps, websites and portals log 6.8 million unique visitors per month in Canada (source: ComScore, December 2017).

The Media segment is also engaged in the printing of newspapers, the distribution of newspapers and magazines, and out-of-home advertising. The Media segment also operates NumériQ inc.("NumériQ"), an entity that brings together Quebecor's digital strategy and content production assets. NumériQ creates digital platforms, provides content for the Corporation's various platforms, and is a talent collective serving online video creators by providing personalized assistance in the development of multiplatform business opportunities and supporting their creative endeavours.

In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, as well as Quebecor Media Sales, which offers Media segment customers integrated, diversified and complete advertising services.

2017 operating results

Revenues: $769.9 million in 2017, a $19.3 million (-2.4%) decrease.

- Broadcasting revenues increased $11.5 million (2.7%), essentially due to:
  - higher advertising revenues at the specialty channels and TVA Network;
  - higher subscription revenues at TVA Sports.

  Partially offset by:
  - decreased revenues from commercial production.
- Film production and audiovisual service revenues increased by $7.8 million (13.2%), mainly because of higher revenues from soundstage and equipment rental due to more major productions in 2017 than in 2016, and higher revenues from dubbing and visual effects.
- Newspaper publishing revenues decreased $17.5 million (-8.7%).
  - Advertising revenues decreased 13.5%; circulation revenues decreased 8.0%; digital revenues increased 3.0%; combined revenues from commercial printing and other sources decreased 2.7%.
- Magazine publishing revenues decreased by $21.2 million (-18.3%), due primarily to:
  - lower advertising revenues;
  - lower subscription and newsstand revenues;
  - impact of the discontinuation of some titles;
  - decreased custom publishing revenues.
- Quebecor Media Out of Home's revenues were stable.

Adjusted operating income: $69.3 million in 2017, a $15.4 million (28.6%) increase.

- Adjusted operating income from broadcasting increased by $19.5 million (87.1%), essentially because of the impact of the revenue increase, combined with cost reductions resulting from restructuring initiatives and lower content costs.
- Adjusted operating income from film production and audiovisual services increased by $5.3 million (57.6%), mainly because of the impact of the revenue increase.
- Adjusted operating income from newspaper publishing decreased by $6.2 million (-57.9%) due to the impact of the revenue decrease, partially offset by the favourable impact on adjusted operating income of reduced operating expenses, resulting from, among other things, the impact of restructuring initiatives.
- Adjusted operating income from magazine publishing decreased by $3.8 million (-27.5%), mainly because of the impact of the decrease in revenues, partially offset by lower operating expenses, including printing, editorial and selling expenses, as well as cost reductions related to restructuring initiatives.
- Adjusted operating income of Quebecor Media Out of Home was stable.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 91.0% in 2017 compared with 93.2% in 2016. The decrease was mainly due to the large fixed component of operating costs, which does not fluctuate in proportion to the increase in revenues, particularly in broadcasting and in film production and audiovisual services, as well as the impact of restructuring and cost-reduction initiatives in all business units.

Cash flows from operations

Cash flows from segment operations: $37.3 million in 2017 compared with $9.3 million in 2016 (Table 6). The $28.0 million favourable variance was due primarily to the $15.4 million increase in adjusted operating income, combined with a $12.0 million decrease in additions to property, plant and equipment and to intangible assets.

Table 6: Media
Cash flows from operations
(in millions of Canadian dollars)

	2017	2016
Adjusted operating income	**$ 69.3**	$ 53.9
Additions to property, plant and equipment	**(29.4)**	(37.2)
Additions to intangible assets	**(3.3)**	(7.5)
Proceeds from disposal of assets	**0.7**	0.1
Cash flows from segment operations	**$ 37.3**	$ 9.3

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Gestev, which is the official imprint for all shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment also includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc. and Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses, and in the physical and digital distribution of books through Messageries A.D.P. inc., the exclusive distributor for more than 210 Québec and European French-language publishers.

Lastly, the Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); concert and event production (Musicor Spectacles); and production of concert videos and television commercials (Les Productions Select TV).

2017 operating results

Revenues: $181.3 million, a $3.7 million (-2.0%) decrease.

- Revenues from sports and concerts increased by $3.8 million (11.0%), essentially because of the successful coproduction of *Saturday Night Fever* at the Capitole de Québec and sponsorship activation revenues.
- Book distribution and publishing revenues decreased by $0.7 million (-0.7%), primarily as a result of lower revenues from general literature and lower volumes in bookstore distribution, partially offset by higher revenues from educational publishing.
- Music distribution and production revenues decreased by $6.9 million (-14.7%), primarily as a result of lower distribution revenues.

Adjusted operating income: $6.2 million in 2017, a $3.9 million (169.6%) increase.

- There was a $0.9 million (12.5%) favourable variance in the adjusted operating loss of sports and concerts, mainly because of the impact of the revenue increase, partially offset by the impact of the startup of new activities.
- Adjusted operating income from book distribution and publishing increased by $2.3 million (22.5%), due primarily to the impact of the revenue increase and higher margins in educational publishing, as well as lower operating expenses in general literature.
- There was a $0.8 million favourable variance in adjusted operating income from music distribution and production, due primarily to decreased administrative expenses, partially offset by the impact of the decrease in revenues.

Cash flows from operations

Cash flows from segment operations: $0.6 million in 2017, compared with negative $4.7 million in 2016 (Table 7). The $5.3 million favourable variance was due to the $3.9 million increase in adjusted operating income and the $1.4 million reduction in additions to property, plant and equipment and to intangible assets.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

		2017		2016
Adjusted operating income	**$**	**6.2**	$	2.3
Additions to property, plant and equipment		**(1.3)**		(3.5)
Additions to intangible assets		**(4.3)**		(3.5)
Cash flows from segment operations	**$**	**0.6**	$	(4.7)

2017/2016 FOURTH QUARTER COMPARISON

Analysis of Consolidated Results of Quebecor

Revenues: $1.06 billion, an $8.8 million (0.8%) increase.

- Revenues increased in Telecommunications ($36.2 million or 4.5% of segment revenues).
- Revenues decreased in Media ($22.7 million or -10.2%) and in Sports and Entertainment ($3.8 million or -7.0%).

Adjusted operating income: $411.9 million, a $22.6 million (5.8%) increase.

- Adjusted operating income increased in Telecommunications ($24.2 million or 6.6% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($3.6 million).
- Adjusted operating income decreased in Media ($2.6 million or -10.4%). There was an unfavourable variance at Head Office ($2.6 million).
- The change in the fair value of Quebecor Media stock options resulted in a $2.3 million favourable variance in the stock-based compensation charge in the fourth quarter of 2017 compared with the same period of 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.7 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2017.

Net income attributable to shareholders: $65.6 million ($0.27 per basic share) in the fourth quarter of 2017, compared with $123.3 million ($0.50 per basic share) in the same period of 2016, a decrease of $57.7 million ($0.23 per basic share).

- The decrease was mainly due to:
  - $55.9 million unfavourable variance in the loss on valuation and translation of financial instruments, including $56.8 million without any tax consequences;
  - $26.8 million increase in the depreciation and amortization charge;
  - $14.8 million increase in the income tax expense.

  Partially offset by:
  - $22.6 million increase in adjusted operating income;
  - $7.3 million favourable variance in the loss on debt refinancing;
  - $6.9 million decrease in financial expenses;
  - $3.4 million favourable variance in the charge for restructuring of operations, litigation and other items.

Adjusted income from continuing operating activities: $78.7 million ($0.33 per basic share) in the fourth quarter of 2017, compared with $84.7 million ($0.35 per basic share) in the same period of 2016, a decrease of $6.0 million ($0.02 per basic share) due in part to the impact of revising the depreciation period for some telecommunications network components.

Depreciation and amortization charge: $194.1 million in the fourth quarter of 2017, a $26.8 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of revising the depreciation period for some telecommunications network components.

Financial expenses: $77.5 million in the fourth quarter of 2017, a $6.9 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, higher interest revenues generated by increased liquidity, and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by the impact of higher indebtedness.

Loss on valuation and translation of financial instruments: $8.1 million in the fourth quarter of 2017 compared with a $47.8 million gain in the same period of 2016. The $55.9 million unfavourable variance was essentially due to the $56.8 million unfavourable variance, without any tax consequences, in the loss on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $9.9 million in the fourth quarter of 2017 compared with $13.3 million in the same period of 2016, a $3.4 million favourable variance.

- A $9.9 million net charge was recognized in the fourth quarter of 2017 in connection with cost-reduction initiatives in the Corporation's various segments and customer migration from analog to digital service in the Telecommunications segment ($13.3 million in the fourth quarter of 2016).

Loss on debt refinancing: $7.3 million in the fourth quarter of 2016.

- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in the fourth quarter of 2016 in connection with this redemption.

Income tax expense: $36.2 million (effective tax rate of 27.9%) in the fourth quarter of 2017, compared with $21.4 million (effective tax rate of 18.5%) in the same period of 2016, a $14.8 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to one-time items that had an unfavourable impact on comparative effective tax rates, and the impact of the increase in taxable income for tax purposes.
- The effective tax rate in the fourth quarter of 2016 reflected the lowering of future tax rates in Québec, which had a favourable impact due to the corresponding reduction in deferred tax balances on the balance sheet.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $841.4 million, a $36.2 million (4.5%) increase due primarily to the same factors as those noted above in the "2017/2016 financial year comparison."

- Revenues from mobile telephony service increased $24.7 million (18.0%) to $161.8 million.
- Revenues from Internet access service increased $14.6 million (5.9%) to $263.1 million.
- Combined revenues from all cable television services decreased $2.8 million (-1.1%) to $253.4 million.
- Revenues from cable telephony service decreased $8.0 million (-7.6%) to $96.8 million.
- Revenues from Club illico increased $2.2 million (25.6%) to $10.8 million.
- Revenues of Videotron Business increased $0.7 million (2.3%) to $30.9 million.
- Revenues from customer equipment sales increased $5.4 million (36.0%) to $20.4 million, partly reflecting the impact of higher net per-device revenues.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.6 million (-27.3%) to $1.6 million.
- Other revenues increased $0.1 million (4.0%) to $2.6 million.

ARPU: $159.28 in the fourth quarter of 2017, compared with $148.56 in the same period of 2016, a $10.72 (7.2%) increase.

Customer statistics

Revenue-generating units – 34,900 (0.6%) unit increase in the fourth quarter of 2017 compared with an increase of 62,300 in the same period of 2016.

Mobile telephony – 33,700 (3.4%) subscriber-connection increase in the fourth quarter of 2017 compared with an increase of 26,200 in the same period of 2016.

Cable Internet access – 12,400 (0.7%) customer increase in the fourth quarter of 2017 compared with an increase of 16,700 in the same period of 2016.

Cable television – 8,500 (-0.5%) decrease in the combined customer base for all of Videotron's cable television services in the fourth quarter of 2017 compared with a decrease of 4,800 in the same period of 2016.

  - 36,600 (2.3%) increase in the number of subscribers to the illico Digital TV service in the fourth quarter of 2017, due in part to the impact of the program to migrate all analog service customers to digital service, compared with an increase of 16,300 in the same period of 2016.

- As of December 31, 2017, substantially all subscribers to the analog cable television service had migrated to digital service.

Cable telephony – 16,900 (-1.4%) subscriber decrease in the fourth quarter of 2017 compared with a decrease of 12,000 in the same period of 2016.

Club illico – 14,200 (4.1%) subscriber increase in the fourth quarter of 2017, compared with an increase of 36,200 in the same period of 2016.

Adjusted operating income: $388.8 million, a $24.2 million (6.6%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- increases in some operating expenses, including engineering and IT costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 53.8% in the fourth quarter of 2017 compared with 54.7% in the same period of 2016, due essentially to the same factors as those noted above under "2017/2016 financial year comparison."

Media

Revenues: $199.5 million in the fourth quarter of 2017, a $22.7 million (-10.2%) decrease.

- Broadcasting revenues decreased $11.2 million (-8.7%), mainly due to:
  - o lower advertising revenues at TVA Network;
  - o lower subscription revenues at the specialty channels, which were negatively affected by the Canadian Radio-television and Telecommunications Commission ("CRTC") decision on TVA Sports' royalty fees.

  Partially offset by:
  - o higher advertising revenues at the specialty channels.
- Film production and audiovisual service revenues increased by $1.5 million (9.9%), mainly because of higher revenues from soundstage and equipment rental due to a larger number of productions in the fourth quarter of 2017 than in the same period of 2016.
- Newspaper publishing revenues decreased $6.6 million (-12.5%).
  - o Advertising revenues decreased 16.2%; circulation revenues decreased 11.8%; digital revenues increased 14.3%; combined revenues from commercial printing and other sources decreased 13.4%.
- Magazine publishing revenues decreased by $4.9 million (-16.8%), due primarily to:
  - o lower subscription and newsstand revenues;
  - o lower advertising revenues;
  - o impact of the discontinuation of some titles.
- Revenues of Quebecor Media Out of Home decreased by $1.2 million (-25.0%), mainly because of lower advertising revenues.

Adjusted operating income: $22.4 million in the fourth quarter of 2017, a $2.6 million (-10.4%) decrease.

- Adjusted operating income from broadcasting decreased by $1.2 million (-6.9%) because of the impact of the revenue decrease, partially offset by lower content costs at TVA Sports and cost reductions resulting from restructuring initiatives.
- Adjusted operating income from film production and audiovisual services increased by $1.9 million (79.2%), mainly because of the impact of the revenue increase.
- Adjusted operating income from newspaper publishing decreased by $1.9 million (-76.0%) due to the impact of the revenue decrease, partially offset by the favourable impact on adjusted operating income of reduced operating expenses, resulting from, among other things, the impact of restructuring initiatives.
- Adjusted operating income from magazine publishing increased by $0.4 million (19.0%), The decrease in operating expenses, including printing, editorial and selling costs, combined with cost reductions related to restructuring initiatives, outweighed the impact of the decrease in revenues.
- There was a $1.1 million unfavourable variance in the adjusted operating income of Quebecor Media Out of Home, mainly because of the impact of the revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 88.8% in the fourth quarter of 2017 compared with 88.7% in the same period of 2016.

Sports and Entertainment

Revenues: $50.3 million in the fourth quarter of 2017, a $3.8 million (-7.0%) decrease.

- Revenues from sports and concerts increased by $1.7 million (17.3%) as a result of higher revenues from concerts, sponsorship activation and venue management and rental, partially offset by lower revenues from hockey.
- Book distribution and publishing revenues decreased by $2.9 million (-10.5%), primarily as a result of lower volume in bookstore and mass market distribution and lower general literature revenues.
- Music distribution and production revenues decreased by $2.6 million (-15.6%), primarily as a result of lower distribution revenues.

Adjusted operating income: $2.3 million in the fourth quarter of 2017, compared with a $1.3 million adjusted operating loss in the same period of 2016, a $3.6 million favourable variance.

- There was a $2.0 million favourable variance in the adjusted operating income of sports and concerts, mainly because of the impact of the revenue increase and lower costs for hockey.
- Adjusted operating income from book distribution and publishing was stable.
- There was a $1.6 million favourable variance in adjusted operating income from music distribution and production, due primarily to decreased administrative expenses, partially offset by the impact of the decrease in revenues.

2016/2015 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.02 billion, a $125.8 million (3.2%) increase.

- Revenues increased in Telecommunications ($144.8 million or 4.8% of segment revenues).
- Revenues decreased in Media ($23.5 million or -2.9%) and in Sports and Entertainment ($2.6 million or -1.4%).

Adjusted operating income: $1.49 billion, a $53.4 million (3.7%) increase.

- Adjusted operating income increased in Telecommunications ($63.6 million or 4.6% of segment adjusted operating income). There was a favourable variance in Sports and Entertainment ($3.9 million).
- Adjusted operating income decreased in Media ($6.2 million or -10.3%). There was an unfavourable variance at Head Office ($7.9 million), essentially due to an unfavourable variance in the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $5.3 million unfavourable variance in the stock-based compensation charge in 2016 compared with 2015. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in an $8.3 million unfavourable variance in the Corporation's stock-based compensation charge in 2016.

Net income attributable to shareholders: $194.7 million ($0.80 per basic share) in 2016, compared with $151.8 million ($0.62 per basic share) in 2015, an increase of $42.9 million ($0.18 per basic share).

- The favourable variance was due primarily to:
  - $189.8 million decrease in non-cash charge for impairment of goodwill and other assets, including $75.0 million without any tax consequences;
  - $53.4 million increase in adjusted operating income;
  - $40.6 million decrease in the depreciation and amortization charge;
  - $19.7 million favourable variance in the loss related to discontinued operations;
  - $7.0 million decrease in financial expenses;
  - $4.8 million favourable variance in losses on debt refinancing.

  Partially offset by:
  - $144.9 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $77.0 million unfavourable variance in losses and gains on valuation and translation of financial instruments, including $78.7 million without any tax consequences;
  - $24.7 million unfavourable variance in the income tax expense;
  - $25.8 million unfavourable variance in non-controlling interest.

Adjusted income from continuing operating activities: $305.5 million ($1.25 per basic share) in 2016, compared with $239.9 million ($0.98 per basic share) in 2015, an increase of $65.6 million ($0.27 per basic share).

Depreciation and amortization charge: $653.0 million, a $40.6 million decrease due primarily to the impact of the end of amortization of spectrum in the Telecommunications segment in the second quarter of 2015, in accordance with a change in the estimated useful lives of the licences, and the end of the accounting useful lives of some assets acquired as part of the acquisition of Videotron in October 2000.

Financial expenses: $328.0 million, a $7.0 million decrease caused mainly by the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by higher average indebtedness resulting primarily from the purchase in September 2015 of part of the interest in Quebecor Media held by CDP Capital for a $500.0 million consideration.

Loss on valuation and translation of financial instruments: $70.3 million in 2016 compared with a $6.7 million gain in 2015. The $77.0 million unfavourable variance was essentially due to a $78.7 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $28.0 million in 2016, compared with a $116.9 million gain in 2015, a $144.9 million unfavourable variance.

- In 2016, the Telecommunications segment recognized a charge for restructuring of operations totalling $14.3 million ($8.8 million in 2015), deriving essentially from customer migration from analog to digital services. A $10.1 million charge for restructuring of operations was recorded in the Media segment in connection with staff-reduction programs in 2016 ($9.8 million in 2015). The other segments recorded charges for restructuring of operations of $1.7 million in 2016 ($0.6 million in 2015).
- In 2016, Quebecor's segments also recognized a $0.8 million charge for other items ($2.0 million in 2015).
- On March 6, 2015, the Québec Court of Appeal ruled in favour of Videotron and TVA Group and ordered Bell ExpressVu Limited Partnership ("Bell ExpressVu") to pay Videotron compensation in the amount of $135.3 million and TVA Group compensation in the amount of $0.6 million, including interest, for having failed to implement an appropriate security system in a timely manner to prevent piracy of the signals broadcast by its satellite television service between 1999 and 2005, thereby harming its competitors and broadcasters. On October 15, 2015, the Supreme Court of Canada denied Bell ExpressVu leave to appeal the decision. A $139.1 million gain on litigation was recorded in the statement of income in 2015.
- A $1.1 million interest expense was recorded in the Telecommunications segment in 2016 ($1.0 million in 2015) in connection with a court ruling handed down in 2014.

Charge for impairment of goodwill and other assets: $40.9 million in 2016, compared with $230.7 million in 2015, a $189.8 million favourable variance.

- In 2016, Quebecor Media performed impairment tests on its Magazines CGU in view of the downtrend in the industry's advertising revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $40.1 million non-cash goodwill impairment charge (without any tax consequences) was recorded in 2016. As well, a charge for impairment of intangible assets totalling $0.8 million was recorded in the Media segment in 2016.
- In 2015, Quebecor Media performed impairment tests on its CGUs and concluded that the recoverable amount of its Newspapers and Broadcasting CGUs was less than their carrying amount. The recoverable amount of those CGUs was adversely affected by declining newspaper and commercial printing volumes, and by continuing pressure on advertising revenues in the newspaper and television businesses. Accordingly, an $85.0 million non-cash goodwill impairment charge (without any tax consequences) and an $81.9 million non-cash impairment charge on other assets, relating mainly to the assets of the Mirabel printing plant, were recorded in the Newspapers CGU in 2015. A $60.1 million impairment charge on TVA Network's broadcasting licences (including $30.1 million without any tax consequences) was recognized in the Broadcasting CGU in 2015. A $3.7 million impairment charge on intangible assets was also recognized in 2015 in other segments.

Loss on debt refinancing: $7.3 million in 2016 compared with $12.1 million in 2015, a $4.8 million favourable variance.

- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.
- On July 16, 2015, Videotron fully redeemed its outstanding 9.125% Senior Notes issued on April 15, 2008 and maturing on April 15, 2018, in the aggregate principal amount of US$75.0 million, at a redemption price of 101.521% of their principal amount, and unwound the related hedges in an asset position. A $0.2 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption, including a $2.1 million net gain previously recorded in "Other Comprehensive Income."
- On July 16, 2015, Videotron fully redeemed its outstanding 7.125% Senior Notes issued on January 13, 2010 and maturing on January 15, 2020, in the aggregate principal amount of $300.0 million, at a redemption price of 103.563% of their principal amount. A $13.6 million loss was recorded in the consolidated statement of income in the second quarter of 2015 in connection with this redemption.

- On April 10, 2015, Videotron fully redeemed its 6.375% Senior Notes maturing on December 15, 2015, in the aggregate principal amount of US$175.0 million, at a redemption price of 100% of their principal amount, and unwound the related hedges in an asset position. A $1.7 million net gain was recorded in the consolidated statement of income in the first quarter of 2015 in connection with this redemption, including a $1.8 million gain previously recorded in "Other Comprehensive Income."

Income tax expense: $117.8 million (effective tax rate of 24.8%) in 2016 compared with $93.1 million (effective tax rate of 23.4%) in 2015, a $24.7 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The unfavourable variance in the income tax expense was mainly due to the increase in taxable income for tax purposes and one-time items that had an unfavourable impact on comparative effective tax rates.
- The unfavourable variance in effective tax rates was mainly due to the impact of a decrease in deferred income tax liabilities in the second quarter of 2015, in light of developments in tax audits, jurisprudence and tax legislation. The announced lowering of Québec tax rates in the coming years also had a favourable impact on the effective tax rate in 2016, with a corresponding reduction in deferred tax balances on the balance sheet.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under “Trend Information” above, the risk analysis in the “Risks and Uncertainties” section below, and the discussion of the Corporation’s financial risks under “Financial Instruments and Financial Risk” below.

Operating activities

Cash flows provided by continuing operating activities: $1.17 billion in 2017 compared with $1.11 billion in 2016.

- The $58.1 million increase was primarily due to:
  - $149.4 million decrease in current income taxes, mostly because of recognition of tax benefits;
  - $84.6 million and $15.4 million increases in adjusted operating income in the Telecommunications and Media segments respectively;
  - $19.1 million decrease in the cash portion of financial expenses;
  - $10.8 million favourable variance in the cash portion of restructuring of operations, litigation and other items.

  Partially offset by:
  - $221.3 million unfavourable change in non-cash operating assets and liabilities, due primarily to unfavourable variances in income tax receivable and payable, provisions, accounts payable and accrued charges, and inventory in the Telecommunications segment.

Increased profitability in the Telecommunications and Media segments, as well as recognition of tax benefits and reduced financial expenses, had a favourable impact on cash flows provided by continuing operating activities in 2017, while decreases in provisions and in accounts payable and accrued charges, and variances in inventory in the Telecommunications segment had an unfavourable impact.

Working capital: Negative $348.0 million at December 31, 2017, compared with negative $429.9 million at December 31, 2016, an $81.9 million favourable variance. The factors that had a favourable impact on working capital were receipt of the proceeds from disposal of spectrum licences in the total amount of $614.2 million, as well as the increase in cash and cash equivalents and income tax receivable and the decrease in income tax payable and provisions from cash flows provided by continuing operating activities. The factors that had an unfavourable impact on working capital were recognition under current liabilities of a $450.0 million liability related to convertible debentures maturing in 2018 and a $442.2 million liability related to embedded derivatives related to those debentures.

Investing activities

Additions to property, plant and equipment: $605.6 million in 2017 compared with $707.8 million in 2016. The $102.2 million decrease was due to reduced investment in 4Degrees Colocation and in the LTE network.

Additions to intangible assets: $141.9 million in 2017, compared with $139.8 million in 2016, a $2.1 million increase.

Proceeds from disposal of assets: $620.7 million in 2017 compared with $4.3 million in 2016.

- In 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers for a cash consideration of $184.2 million, and its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million.

Business acquisitions: $5.8 million in 2017 compared with $119.5 million in 2016.

- In 2017, business acquisitions consisted mainly of payment of the $5.6 million balance payable on the acquisition of Fibrenoire by the Telecommunications segment.
- In 2016, business acquisitions consisted essentially of the acquisition of Fibrenoire by the Telecommunications segment.

Business disposals: $3.0 million in 2016, consisting of the balance of the selling price of Archambault Group Inc.’s retail operations.

Acquisition of non-controlling interest: $43.9 million in 2017.

- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash, and paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $460.9 million in 2017 compared with $293.9 million in 2016 (Table 8).

- The $167.0 million favourable variance was mainly due to:
  - o $102.3 million decrease in additions to property, plant and equipment;
  - o $63.8 million increase in cash flows provided by continuing operating activities.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2017	2016
Cash flows from segment operations		
Telecommunications	**$ 832.9**	$ 660.4
Media	**37.3**	9.3
Sports and Entertainment	**0.6**	(4.7)
Quebecor Media Head Office	**(16.1)**	(11.1)
	854.7	653.9
Cash interest expense	**(276.5)**	(295.9)
Cash portion of charge for restructuring of operations, litigation and other items	**(17.2)**	(28.5)
Current income taxes	**(8.8)**	(158.0)
Other	**4.0**	3.7
Net change in operating assets and liabilities	**(95.3)**	118.7
Free cash flows from continuing operating activities of Quebecor Media	**$ 460.9**	$ 293.9

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of Canadian dollars)

	2017	2016
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$ 460.9**	$ 293.9
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(2.3)**	(3.1)
Cash interest expense	**(25.4)**	(25.0)
Cash portion of charge for restructuring of operations, litigation and other items	–	0.5
Current income taxes	–	(0.2)
Other	**0.1**	(0.5)
Net change in operating assets and liabilities	**(3.2)**	4.1
	(30.8)	(24.2)
Plus additions to property, plant and equipment	**605.6**	707.8
Plus additions to intangible assets	**141.9**	139.8
Minus proceeds from disposal of assets (excluding licences)	**(6.5)**	(4.3)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,171.1**	$ 1,113.0

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $150.2 million decrease in 2017; $251.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt was reduced in 2017 primarily for the following reasons:
  - Redemption by Quebecor Media on May 1, 2017 of the entirety of its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount;
  - Redemption by Videotron on January 5, 2017 and May 1, 2017 of $300.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount;
  - $209.3 million reduction in Videotron’s drawings on its secured revolving credit facility;
  - $272.5 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by a decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - Current payments totalling $21.1 million on the term loan facilities of Videotron, TVA Group and Quebecor Media;
  - Total $18.9 million reduction in bank indebtedness of Videotron and Quebecor Media.
- Additions to debt in 2017 essentially consisted of:
  - Issuance by Videotron on April 13, 2017 of US$600.0 million aggregate principal amount of 5.125% Senior Notes maturing on April 15, 2027 for net proceeds of $794.5 million, net of financing fees of $9.9 million;
  - $175.6 million increase in Quebecor’s drawings on its revolving bank credit facility;
  - New mortgage loan in the principal amount of $50.0 million at a fixed interest rate of 3.757%, maturing in October 2022, contracted by Quebecor on September 29, 2017. On the same day, Quebecor paid down its existing mortgage loan in the principal amount of $30.1 million.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $557.7 million at December 31, 2017 compared with $808.7 million at December 31, 2016. The $251.0 million net unfavourable variance was mainly due to:

- o unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Partially offset by:

- o favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On October 12, 2017, the Corporation increased its secured revolving credit facility from $150.0 million to $300.0 million.
- On July 14, 2017, Quebecor received a notice regarding the conversion of convertible debentures in the principal amount of $50.0 million for 4,155,844 Class B Shares of Quebecor. The Corporation exercised its cash payment option and paid $95.2 million on September 6, 2017.
- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, payable in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%, while CDP Capital's interest decreased from 18.93% to 18.47%.
- On May 4, 2017, Videotron transferred all then-existing commitments under its unsecured revolving credit facility to its secured revolving credit facility, increasing its secured facility from $630.0 million to $965.0 million and terminating its unsecured facility.

Financial position

Net available liquidity: $2.11 billion at December 31, 2017 for Quebecor Media and its wholly owned subsidiaries, consisting of $841.0 million in cash and cash equivalents and $1.27 billion in available unused revolving credit facilities.

Net available liquidity: $123.2 million as at December 31, 2017 for Quebecor at the corporate level, consisting of $0.8 million in bank indebtedness and $124.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $5.54 billion at December 31, 2017, a $150.2 million decrease compared with December 31, 2016; $251.0 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $3.27 billion debt ($3.17 billion at December 31, 2016); TVA Group's $62.6 million debt ($69.1 million at December 31, 2016); Quebecor Media's $1.98 billion debt ($2.41 billion at December 31, 2016); and Quebecor's $225.7 million debt ($30.6 million at December 31, 2016).

As at December 31, 2017, minimum principal payments on long-term debt in the coming years are as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2018	$	20.4
2019		233.5
2020		414.5
2021		1.4
2022		1,050.2
2023 and thereafter		3,852.1
Total	**$**	**5,572.1**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 5.9 years as of December 31, 2017 (6.1 years as of December 31, 2016). After taking into account hedging instruments, at December 31, 2017 the debt consisted of approximately 84.7% fixed-rate debt (83.2% at December 31, 2016) and 15.3% floating-rate debt (16.8% at December 31, 2016).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, dividend payments to shareholders, and payment of dividends (or distributions) to non-controlling interest. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted operating income). At December 31, 2017, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On March 13, 2018, the Board of Directors of Quebecor declared a quarterly dividend of $0.0275 per share on its Class A Shares and Class B Shares, payable on April 24, 2018 to shareholders of record as of the record date of March 30, 2018.

Board of Directors

On August 7, 2017, the Board of Directors received the resignation of Geneviève Marcon, a Director of the Corporation since 2012, a Director of Quebecor Media since 2013, and a member of the Human Resources and Corporate Governance Committee of the two corporations.

On September 28, 2017, Andrea C. Martin was named a Director of Quebecor and Quebecor Media, and a member of the Human Resources and Corporate Governance Committee of the two corporations.

Analysis of consolidated balance sheet at December 31, 2017

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2017 and 2016
(in millions of Canadian dollars)

	Dec. 31, 2017	Dec. 31, 2016	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 864.9**	$ 22.3	$ 842.6	Receipt of proceeds from the disposal of spectrum licences and cash flows provided by continuing operating activities
Accounts receivable	**543.4**	525.4	18.0	Impact of current variances in activity
Income taxes[1]	**16.0**	(28.3)	44.3	Recognition of tax benefits
Property, plant and equipment	**3,594.6**	3,605.1	(10.5)	Depreciation for the period less additions to property, plant and equipment on an accrual basis
Intangible assets	**983.1**	1,224.0	(240.9)	Sale of spectrum licences and impairment of intangible assets
Goodwill	**2,695.8**	2,725.4	(29.6)	Goodwill impairment in the Media segment
Derivative financial instruments[2]	**557.7**	808.7	(251.0)	See "Financing activities"
Liabilities				
Accounts payable and accrued charges	**738.7**	705.9	32.8	Impact of current variances in activity
Provisions	**25.4**	69.3	(43.9)	Settlement of disputes
Long-term debt, including current portion and bank indebtedness	**5,537.4**	5,687.6	(150.2)	See "Financing activities"
Convertible debentures and embedded derivatives related to convertible debentures, including current and long-term portions	**892.2**	790.0	102.2	Losses on embedded derivatives less redemption of convertible debentures
Deferred income tax[3]	**642.8**	544.9	97.9	Net deferred income tax expenses reported under income and "Other Comprehensive Income"

1 Current assets less current liabilities.
2 Long-term assets less long-term liabilities.
3 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

At December 31, 2017, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2017
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,572.1**	$ 20.4	$ 648.0	$ 1,051.6	$ 3,852.1
Convertible debentures[2]	**886.4**	886.4	–	–	–
Interest payments[3]	**1,690.7**	250.3	554.3	517.2	368.9
Operating leases	**198.6**	47.0	54.9	21.7	75.0
Additions to property, plant and equipment and other commitments	**1,371.3**	228.2	318.0	282.0	543.1
Derivative financial instruments[4]	**(552.7)**	0.6	(71.0)	(203.0)	(279.3)
Total contractual obligations	**$ 9,166.4**	**$ 1,432.9**	**$ 1,504.2**	**$ 1,669.5**	**$ 4,559.8**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 Based on the market value at December 31, 2017 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $9.625 per share and a ceiling price of $12.03125. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2017.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 12

Videotron leases sites for its LTE network under operating lease arrangements. It also has 20-year service sharing and exchange agreements with Rogers to build out and operate an LTE network in Québec and the Ottawa area, as well as an agreement with Comcast Corporation to develop an innovative IPTV solution. As at December 31, 2017, the balance of those commitments stood at $607.6 million.

In 2011, Quebecor Media announced an agreement with Québec City for the leasing and management of the Videotron Centre. As at December 31, 2017, the balance of those commitments stood at $73.0 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015, a similar 10-year agreement was signed with the Lévis transit commission. As at December 31, 2017, the balance of those commitments stood at $92.5 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2017, the balance of those commitments stood at $641.0 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans are $38.6 million for 2018, based on the most recently filed actuarial report (contributions of $38.3 million were made in 2017).

Related party transactions

In 2017, the Corporation made sales to affiliated corporations in the amount of $2.8 million ($3.0 million in 2016).

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2017, the maximum exposure with respect to these guarantees was $20.5 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One of the Corporation’s subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation’s capital stock as at February 15, 2018. In addition, 780,000 share options were outstanding as of February 15, 2018.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	February 15, 2018	
	Issued and outstanding	**Book value**
Class A Shares	**77,335,444**	$ **8.6**
Class B Shares	**158,386,784**	$ **300.5**

On August 3, 2016, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 1,000,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of August 3, 2016. The purchases could be made from August 15, 2016 to August 14, 2017 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange (“TSX”) or other alternative trading systems. All the repurchased shares were cancelled.

On August 9, 2017, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 1,000,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares, representing approximately 2.4% of issued and outstanding Class B Shares as of August 1, 2017. The purchases can be made from August 15, 2017 to August 14, 2018 at prevailing market prices on the open market through the facilities of the TSX or other alternative trading systems. All shares purchased under the bid will be cancelled.

On December 15, 2017, the maximum number of Class B Shares that may be repurchased under the Corporation's normal course issuer bid program was increased to 8,400,000, or approximately 9.9% of the public float as at August 1, 2017.

In 2017, the Corporation purchased and cancelled 5,590,700 Class B Shares for a total cash consideration of $127.5 million (1,218,600 Class B Shares for a total cash consideration of $22.7 million in 2016). The $117.0 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($20.4 million in 2016).

On November 9, 2017, the Corporation announced that it had entered into an automatic securities purchase plan ("the plan"), as of November 10, 2017, with a designated broker under its normal course issuer bid, whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

The plan received prior approval from the TSX. It came into effect on November 13, 2017 and terminates on the same date as the normal course issuer bid.

In 2017, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.1 million. Following this transaction, the contributed surplus was increased by $1.2 million and the stock-based compensation liability was reduced by the same amount.

On November 15, 2017, the Corporation carried out a two-for-one split of its outstanding Class A Shares and Class B Shares. Accordingly, holders of the Corporation's shares received an additional share for each share owned on the record date of November 15, 2017.

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers (or "ILECs"). The primary one in Quebecor Media's market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and in several other communities in the Province of Québec. That primary ILEC is rolling out its own Internet Protocol Television (or "IPTV") service throughout the country and, more specifically, in Montréal (including a portion of the greater Montréal area), Québec City, and in other locations in the Province of Québec. It has also secured licences to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in high definition ("HD") of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, OTT content providers, such as Netflix, Apple TV and Amazon Prime Video, as well as Canadian services such as Crave TV, compete for viewership and for a share of the monthly entertainment spending currently allocated to traditional cable television and cable service video-on-demand offerings.

Unlike Quebecor Media, OTT service providers are not subject to CRTC regulations and do not have to contribute financially to the Canadian traditional television business model or Internet infrastructure. Furthermore, foreign providers with no Canadian business place are not required to charge federal and provincial sales tax. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition, and results of operations. On September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years. As part of this arrangement, the federal government has decided not to impose the Goods and Services Tax ("GST") on Netflix's services. Since Quebecor Media's own clients must pay GST when they buy Quebecor Media's services, this decision could place Quebecor Media at a competitive disadvantage.

In its Internet access business, Quebecor Media competes against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line ("DSL"), fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to their high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. Those third-party ISP competitors may also provide telephony, television services, IP video services and networking applications. Certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with Quebecor Media in some of its local markets.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators, and other providers of telephony, television services, voice over Internet Protocol (or "VoIP") and Internet communications, including competitors that are not facility-based and therefore have much lower infrastructure costs. In addition, Internet Protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides, or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and for many years have been operating lower-cost mobile telephony brands in order to acquire additional market share. In the near future, depending on new regulations, Quebecor Media could see the emergence of non-facility-based operators in the wireless space. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber is still required in Canada). Also, the Internet, through wireline or cable and mobile devices, is an important broadcasting and distribution platform. In addition, mobile operators, with the development of their LTE networks, offer wireless and fixed wireless Internet services. In addition, Quebecor Media's VoIP telephony service also competes with Internet-based solutions.

Moreover, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet, residential and mobile telephony services). Should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing one subscriber for each of its services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operation.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operation.

Significant and rapid technological changes in Media segment

In relation to the Corporation's Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Consumers are spending an increasing amount of time on the Internet and on mobile devices and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These alternative technologies may increase audience fragmentation, reduce the Media segment business's ratings, readership or circulation levels, or have an adverse effect on advertising revenues from local and national advertisers. Furthermore, in Quebecor Media's video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of Quebecor Media's Media segment business' existing television subscriber base from its services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its other services.

Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as 5G, Software-defined networking ("SDN") and Network function virtualization ("NFV") technologies, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementations may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, and results of operations.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably.

In addition, if Quebecor Media is unable to renew, or substitute for, those roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, financial condition and results of operations could be adversely affected.

Moreover, as of 2015 in Canada, the CRTC decided that each of the three national wireless incumbent carriers would be obliged to provide wholesale roaming services to regional (including Videotron) and new entrant carriers at cost-based rates. A tariff proceeding is currently underway to determine these rates. The result of the wholesale roaming tariff proceeding may have an impact on Quebecor Media roaming cost structure and on the types of retail packages it is able to offer its customers in this regard.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Higher handset subsidies and increase in BYOD customers

Quebecor Media's mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract. Quebecor Media also commits to a minimum subsidy per unit with the supplier of certain smartphone devices. If Quebecor Media is unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact its business, prospects, revenues, financial condition, and results of operations.

Also, with the introduction of the CRTC's Wireless Code in 2013 and its revision in 2017, limiting wireless term contracts to two years and eliminating device locking, the number of BYOD customers with no-term contracts has increased. Such customers are under no contractual obligation to remain with Quebecor Media, which could have a material adverse effect on its churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and its demands for increased bandwidth capacity and other services. In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short term, mid term and long term in order to expand and maintain its networks, systems and services, including expenditures relating to advancements in Internet access, HD, Ultra-high definition ("UHD") television, Internet of Things, IPTV and TV everywhere/every platform requiring IP delivery technology, the introduction of virtual reality, as well as the cost of its mobile services' infrastructure deployment, maintenance and enhancement.

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. The introduction of new technologies and their pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media's existing assets.

The demand for wireless data services has been growing at high rates and it is projected that this demand will further accelerate, driven by increases in the following: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by Innovation, Science and Economic Development ("ISED") Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

The development, maintenance and enhancement of Quebecor Media's LTE network requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint build-out of its LTE network. A geographical expansion or densification of its LTE network may require Quebecor Media to incur significant costs and to make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services, or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate those agreements, it cannot guarantee that they will continue to be available on their respective terms, or on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, maintaining its advanced broadband network, pursuing enhanced content development to reduce costs, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its businesses. Quebecor Media may not be able to implement those strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement those strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented throughout the organization by a centralized office fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating expenditures in the future. It can provide no assurance that it will be successful in developing new activities in relation to those engagements, including the development of new revenue sources.

Consumers' trend to abandon cable telephony and television services

The recent trend towards mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access services in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting customers to its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home. In addition, some content on the Internet, such as videos, is available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content, which uses even more bandwidth than HD services. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address customer needs.

Equipment costs are under pressure in an effort to counterbalance customer demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, can adopt new technologies that reduce costs or implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in client losses, price increases or reduced profitability.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant capital expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that management may not be able to successfully manage the development of its Sports and Entertainment business; that the development of its Sports and Entertainment business may place significant demands on management, diverting attention from existing operations; that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the development of its Sports and Entertainment business; and the risk associated with a failure to make continued investments in its Sports and Entertainment business in order to respond to consumer trends and demands, which could adversely affect its ability to compete in the sports and entertainment industry.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement or upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits.

The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media segment. Quebecor Media's revenues and operating results in those businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Those economic factors affect the levels of retail and national advertising revenues of the media properties of Quebecor Media. Since a significant portion of Quebecor Media's advertising revenues is derived from retail and automotive sector advertisers, weakness in those sectors and in the real estate industry has had, and may continue to have an adverse impact on the revenues and results of operations of the Media segment. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper and magazine businesses and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations, and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to content, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry, as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to slow down the decline of its circulation base, such as investments in the redesign and overhaul of its newspaper and magazine websites and the publication of e-editions of a number of its newspapers and magazines, it may not be successful in converting its advertising revenues or in transferring its audience to its new digital products. The ability of the Media segment to succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives, developed to generate additional revenues from its websites (such as digital platform advertising), may not be accepted by users and consequently may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of those initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet, including social networks, and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates on its platforms. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, those suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for such services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, prospects, results of operations, and financial condition.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and on research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as production costs. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* (Canada) are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Launch of new specialty services

Quebecor Media is investing in the launch of new specialty services in its Broadcasting operations. During the period immediately following the launch of a new specialty service, subscription revenues are always relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize, or may never materialize.

Loss of key customers

The Corporation's businesses are based primarily on customer satisfaction with reliability, timeliness, quality, and price. In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers. Quebecor Media cannot assure that it will continue to maintain favourable relationships with its customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access, cable telephony and mobile telephony services through a primary headend and through 12 additional regional headends in a single-clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyberattacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material effect on its financial condition.

Cybersecurity

The ordinary course of Quebecor Media's telecommunications, media and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information on its customers and employees, whether in its data centres, systems, infrastructure, networks and processes, or those of its suppliers. The secure processing, maintenance and transmission of this information is critical to its operations and business strategy.

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against unauthorized access to, or use of sensitive data, including data on its customers, and to prevent data loss, and although ever-evolving cyberthreats require Quebecor Media to continually evaluate and adapt its data centres, systems, infrastructure, networks and processes, Quebecor Media cannot assure that its data centres, systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. If Quebecor Media is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

In addition, the preventive actions Quebecor Media takes to reduce the risks associated with cyberattacks, including protection of its data centres and information assets, as well as efforts to improve the overall governance over information security and the controls within its IT systems, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

Protection of personal data

Quebecor Media stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in, and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers. An inability to maintain and enhance its existing information technology systems, or to obtain new systems to accommodate additional customer growth or support new products and services, could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, and manage operating expenses, all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

Products and services supplied to Quebecor Media by third-party suppliers may contain latent security issues, including but not limited to software security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues could adversely impact its results of operations and financial condition.

Malicious and abusive Internet practices

Quebecor Media's cable data, mobile data and fibre-optic connectivity business customers utilize its network to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms, and other destructive or disruptive software. Such activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volumes to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Protection from piracy

In its cable television, Internet access, OTT and telephony business, Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware, licenced technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, licenced technological platforms, software, the “backbone” telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a single or limited number of suppliers and Quebecor Media therefore faces the risks of supplier disruption, including business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services and other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with content providers, comply with their technological requirements, or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor’s reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management’s attention could be significant.

Intellectual property rights

Quebecor Media relies on its intellectual property, such as patents, copyrights, trademarks and trade secrets, as well as licences and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. Quebecor Media may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management’s attention and resources away from its businesses. Moreover, if Quebecor Media is unable to obtain or continue to obtain licences from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of Quebecor Media’s intellectual property rights more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to Quebecor Media’s. Also, Quebecor Media may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. Quebecor Media cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes and other labour protests

At December 31, 2017, 54% of Quebecor Media's employees were represented by collective bargaining agreements. Through its subsidiaries, Quebecor Media is currently party to 31 collective bargaining agreements.

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund those pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2017, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2017, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $557.7 million on a consolidated basis.

Some of its suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changed or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to conserve cash until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Ethical business conduct

Any failure or perceived failure to adhere to Quebecor's policies, the law or ethical business practices could have a significant effect on its reputation and brands and could therefore negatively impact its financial performance. Quebecor's framework for managing ethical business conduct includes the adoption of a Code of Ethics, which its directors and employees are required to acknowledge and agree to on a regular basis, and, as part of an independent audit and security function, maintain a whistle-blowing hotline. There can be no assurance that these measures will be effective enough to prevent violations or perceived violations of law or ethical business practices.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause a diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel, and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, or the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Quebecor Media's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and may contribute to isolating Quebecor Media from its competitors, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licences. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Although the federal government eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC introduced some form of rate regulation following its commonly referred to "Lets talk TV" public consultations on television broadcasting and distribution. Consequently, Quebecor Media must offer a reduced basic service at $25 since March 1, 2016 and offer all specialty services "à la carte" since December 1, 2016. Moreover, the CRTC adopted a Wireless Code which regulates numerous aspects of the provision of retail wireless services and a new Television Service Provider Code which regulates numerous aspects of the provisions of retail television services, which became effective as of September 1, 2017. Finally, the CRTC, in response to a directive received from the Governor in Council, recently initiated a proceeding to consider whether to grant access to non-facilities-based wireless service providers, including those whose customers rely primarily on non-carrier Wi-Fi networks (referred to as "Wi-Fi first service providers"), to the wholesale roaming service tariffs of the national wireless carriers. Such a change could have the effect of introducing mandatory resale into the wireless marketplace, to the detriment of facilities-based wireless competitors. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing, and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences, to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes to the policies or rules of application in Canada or in any of its provinces in connection with government incentive programs, including any change in the Québec or federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various federal government agencies. If programs fail to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issuance and transfer of shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's Film Production & Audiovisual Services Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian government incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced and, as a result, the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States. Some producers may select locations other than Québec to take advantage of tax credit programs that they conclude to be more, or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, results of operations and financial condition.

Licence renewals

Videotron's AWS-1 licences were issued in December 2008 for a 10-year term. The conditions of AWS-1 licence renewal were the subject of a public consultation process that concluded on August 14, 2017. A separate public consultation process is expected to be initiated shortly regarding the licence fees to be paid during a renewal term. Decisions from both these processes are expected prior to the expiry of its initial 10-year licences.

Videotron's other spectrum licences, including in the AWS-3, 700 MHz and 2500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of those respective terms, applications may be made for new licences for a subsequent term through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licences, including the terms and conditions of the new licences and whether licence fees should apply for a subsequent licence term, are expected to be determined by ISED Canada following public consultations.

If, at the end of their respective term, the licences are not renewed on acceptable terms, or at all, Quebecor Media's ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Provision of third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to Quebecor Media's cable network and are thereby providing retail Internet access services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it accords to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Most significantly, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will involve third-party ISPs provisioning their own regional transport services. They will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for these new disaggregated wholesale services. In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the tariff rates for the existing aggregated wholesale services. A second tariff proceeding is under way to set revised final rates for these services while work moves forward on implementing the disaggregated services. Rulings in both tariff proceedings are expected in the first half of 2018. As a result of these rulings, Quebecor Media may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air and water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have recently implemented Extended Producer Responsibility regulations in order to encourage sustainability practices, such as the "Ecological recovery and reclamation of electronic products," which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on Quebecor Media's reputation and brands.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditures will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied meets all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations. Videotron is currently a defendant, along with all other major wireless providers in the Province of Québec, in an authorization demand for a class action on this particular concern.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2017, it had $5.54 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2017, it had approximately $1.54 billion available for additional borrowings under its existing credit facilities on a consolidated basis and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;

- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including its Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while

holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2017 approximately 74.84% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency, (ii) to achieve a targeted balance of fixed- and floating-rate debts, and (iii) to lock in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
As of December 31, 2017
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.2936	$ 151.4	US$ 117.0

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$ 335.1	Bankers’ acceptance 3 months + 2.77%	1.0346
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers’ acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses on valuation and translation of financial instruments for 2017 and 2016 are summarized in Table 15.

Table 15
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2017	2016
Loss on embedded derivatives related to convertible debentures	**$ 197.4**	$ 68.2
Loss on the ineffective portion of fair value hedges	**3.0**	2.0
Loss on the ineffective portion of cash flow hedges	**–**	0.1
Gain on embedded derivatives related to long-term debt	**(0.6)**	(0.2)
Loss on reversal of embedded derivatives on debt redemption	**–**	0.2
	$ 199.8	$ 70.3

A gain on cash flow hedges of $43.7 million was recorded under "Other Comprehensive Income" in 2017 (loss of $30.9 million in 2016).

Fair value of financial instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or of the Corporation.

The fair value of early settlement options recognized as embedded derivatives and embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2017 and December 31, 2016 were as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	December 31, 2017		December 31, 2016	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1,2]	**$ (5 572.1)**	**$ (5 883.3)**	$ (5 700.8)	$ (5 866.6)
Convertible debentures[3]	**(888.5)**	**(888.5)**	(780.0)	(780.0)
Derivative financial instruments[4]				
Early settlement options	**–**	**–**	0.4	0.4
Foreign exchange forward contracts[5]	**(4.5)**	**(4.5)**	2.5	2.5
Interest rate swaps	**–**	**–**	(0.3)	(0.3)
Cross-currency interest rate swaps[5]	**562.2**	**562.2**	806.5	806.5

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk, embedded derivatives and financing fees.

2 The fair value of long-term debt does not include the fair value of early settlement options, which is presented separately in the table.

3 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

4 The fair value of derivative financial instruments designated as hedges is an asset position of $557.7 million as of December 31, 2017 ($808.7 million as of December 31, 2016).

5 The value of foreign exchange forward contracts entered into to lock in the value of existing hedging positions is netted from the value of the offset financial instruments.

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2017, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation establishes an allowance for doubtful accounts based on the specific credit risk of its customers and historical trends. As of December 31, 2017, 11.3% of trade receivables were 90 days past their billing date (13.0% as of December 31, 2016) of which 31.1% had an allowance for doubtful accounts (32.5% as of December 31, 2016).

The following table shows changes to the allowance for doubtful accounts for the years ended December 31, 2017 and 2016:

	2017	2016
Balance at beginning of year	**$ 28.1**	$ 23.0
Charged to income	**21.6**	36.1
Utilization	**(28.6)**	(31.0)
Balance at end of year	**$ 21.1**	$ 28.1

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.9 years as of December 31, 2017 (6.1 years as of December 31, 2016) (see also "Contractual Obligations" above).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2017, and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on "Other Comprehensive Income," before income tax, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2017 is as follows:

Increase (decrease)	**Income**	**"Other comprehensive income"**
Increase of $0.10	**$ 1.6**	**$ 40.4**
Decrease of $0.10	**(1.6)**	**(40.4)**

A variance of $0.10 in the 2017 average exchange rate of CAN dollar per one U.S. dollar would had resulted in a variance of $3.2 million on the value of unhedged purchases of goods and services in 2017 and $5.7 million on the value of unhedged acquisitions of tangible and intangible assets in 2017.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2017, after taking into account the hedging instruments, long-term debt was comprised of 84.7% fixed-rate debt (83.2% in 2016) and 15.3% floating-rate debt (16.8% in 2016).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2017 was $7.7 million.

The estimated sensitivity on income and on "Other Comprehensive Income," before income tax, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures, as of December 31, 2017, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		"Other comprehensive income"
Increase of 100 basis points	$	**(1.4)**	$	**(21.2)**
Decrease of 100 basis points		**1.4**		**21.2**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2017 and 2016 was as follows:

Table 17
Capital structure of Quebecor
(in millions of Canadian dollars)

		2017		2016
Bank indebtedness	**$**	**0.8**	$	18.9
Long-term debt		**5,536.6**		5,668.7
Embedded derivatives related to convertible debentures		**442.2**		290.0
Convertible debentures		**450.0**		500.0
Derivative financial instruments		**(557.7)**		(808.7)
Cash and cash equivalents		**(864.9)**		(22.3)
Net liabilities		**5,007.0**		5,646.6
Equity	**$**	**1,206.1**	$	847.2

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, inter-corporation transactions, and the declaration and payment of dividends or other distributions.

Contingencies

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation recognizes operating revenues when the following criteria are met:

- the amount of revenue can be measured reliably;
- the receipt of economic benefits associated with the transaction is probable;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;

- the stage of completion can be measured reliably where services have been rendered; and
- significant risks and rewards of ownership, including effective control, have been transferred to the buyer where goods have been sold.

The portion of revenue that is unearned is recorded under “Deferred revenue” when customers are invoiced.

Telecommunications

The Telecommunications segment provides services under arrangements with multiple deliverables for which there are two separate accounting units: one for subscriber services (cable television, Internet access, cable or mobile telephony and OTT video service, including connection costs and rental of equipment); the other for equipment sales to subscribers. Components of multiple deliverable arrangements are separately accounted for, provided the delivered elements have stand-alone value to the customer and the fair value of any undelivered elements can be objectively and reliably determined. Arrangement consideration is allocated among the separate accounting units based on their relative fair values.

The Telecommunications segment recognizes each of its main activities’ revenues as follows:

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and OTT video service are recognized when services are provided. Promotional offers and rebates are accounted for as a reduction in the service revenue to which they relate;
- Revenues from equipment sales to subscribers and their costs are recognized in income when the equipment is delivered. Promotional offers related to equipment, with the exclusion of mobile devices, are accounted for as a reduction in related equipment sales on delivery, while promotional offers related to the sale of mobile devices are accounted for as a reduction in related equipment sales on activation;
- Operating revenues related to service contracts are recognized in income over the life of the specific contracts on a straight-line basis over the period in which the services are provided;
- Cable connection revenues are deferred and recognized as revenues over the estimated average period that subscribers are expected to remain connected to the network. The incremental and direct costs related to cable connection costs, in an amount not exceeding the revenue, are deferred and recognized as an operating expense over the same period. The excess of those costs over the related revenues is recognized immediately in income.

Media

The Media segment recognizes each of its main activities’ revenues as follows:

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment rental revenues are recognized over the rental period;
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities’ revenues as follows:

- Revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Revenues from leasing and from ticket (including season tickets), food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues from the rental of suites are recognized ratably over the period of the agreement;
- Revenues from the sale of advertising under the form of venue signage or sponsorships, are recognized ratably over the period of the agreement;
- Revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result if no impairment loss had previously been recognized.

The determination of CGUs requires judgment when determining the lowest level for which there are separately identifiable cash inflows generated by the group of assets.

In addition, when determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2017 was $2.70 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2017 was $490.1 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and the future expectation regarding the use of the spectrum licences. Therefore, the determination that spectrum licences have an indefinite useful life involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management changed its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging items and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of derivative financial instruments when the hedge is put in place and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign-currency-denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign-currency-denominated debt, and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in “Other Comprehensive Income” until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated “Other Comprehensive Income” are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, such as early settlement options on long-term-debt, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Early settlement options are accounted for separately from the debt when the corresponding option exercise price is not approximately equal to the amortized cost of the debt.

The judgment used in determining the fair value of derivative financial instrument including embedded derivatives, using valuation and pricing models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income, and the value of the gain or loss on derivative financial instruments recorded in the consolidated statements of comprehensive income. Also, valuation and financial models are based on a number of assumptions, including future cash flows, period-end swap rates, foreign exchange rates, credit default premium, volatility, discount factors, and underlying instrument adjusted implicit interest rate and credit premium.

In addition, judgment is required to determine if an option exercise price is not approximately equal to the amortized cost of the debt. This determination may have a significant impact on the amount of gains or losses on valuation and translation of financial instruments recorded in the consolidated statements of income.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Determination of the fair value of the embedded derivatives is based on a number of assumptions, including contractual future cash flows, volatility and discount factors. The judgment used in determining the fair value of embedded derivatives, using valuation models, may have a significant effect on the value of the gain or loss on valuation and translation of financial instruments recorded in the consolidated statements of income.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other Comprehensive Income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability, is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") and performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

The judgment and assumptions used in determining the fair value of the stock-based compensation liability may have an effect on the compensation cost recorded in the statements of income.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statement of income in the reporting period in which changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Allowance for doubtful accounts

The Corporation maintains an allowance for doubtful accounts to cover anticipated losses from customers who are unable to pay their debts. The allowance is reviewed periodically and is based on an analysis of specific significant accounts outstanding, the age of the receivable, customer creditworthiness, and historical collection experience.

Business combinations

A business combination is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed. The judgments made in determining the estimated fair value and the expected useful life of each acquired asset, and the estimated fair value of each assumed liability, can significantly impact net income.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets.”

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be subsequently reduced, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Recent accounting pronouncements

i) IFRS 9 – *Financial Instruments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018.

   On January 1, 2018, the Corporation will adopt the new rules under IFRS 9 which simplifies the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement.* The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

   The adoption of IFRS 9 will have no material impact on the consolidated financial statements.

ii) IFRS 15 – *Revenue from Contracts with Customers* is required to be applied retrospectively for annual periods beginning on or after January 1, 2018.

   On January 1, 2018, the Corporation will adopt on a fully retrospective basis the new rules under IFRS 15 which specifies how and when an entity should recognize revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to be applied to all contracts with customers.

The adoption of IFRS 15 will have significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regards to the timing in the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as costs to obtain a contract and connection costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables will be allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile devices and services under contracts with multiple deliverables and for a fixed period of time. Under IFRS 15, promotional offers related to the sale of mobile devices previously accounted for as a reduction of related equipment sales on activation, now need to be considered in the relative total consideration to be allocated to all performance obligations. Among other impacts, the adoption of IFRS 15 will result in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of these revenues will therefore change under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract will remain the same as under the previous rules. The portion of revenues that is earned without having been invoiced will be presented as contract assets in the consolidated balance sheets. All other types of revenues have not been impacted by the adoption of IFRS 15.

In addition, under IFRS 15, certain costs, mainly sales commissions, to obtain a contract will be capitalized and amortized as operating expenses over the contract term or over the period of time the customer is expected to remain a customer of the Corporation. Currently, such costs are expensed as incurred. Also, the capitalization of connection costs will no longer be limited to the related connection revenues as it is under the current rules. These capitalized costs will be included in “Other assets” as contract costs in the consolidated balance sheet.

The retroactive adoption of IFRS 15 will have the following impacts on the 2017 and 2016 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		**2017**		2016
Revenues	**$**	**22.4**	$	52.5
Purchases of goods and services		**(12.4)**		(13.2)
Deferred income tax expense		**9.2**		17.4
Net income and comprehensive income		**25.6**		48.3
Net income and comprehensive income attributable to:				
Shareholders	**$**	**20.8**	$	39.2
Non-controlling interests		**4.8**		9.1
Earnings per share attributable to shareholders	**$**	**0.09**	$	0.16

Consolidated balance sheets

Increase (decrease)		**December 31, 2017**		December 31, 2016
Contract assets	**$**	**183.6**	$	155.8
Other assets		**92.5**		85.4
Deferred income tax liability		**73.2**		63.9
Retained earnings		**165.4**		143.7
Non-controlling interests		**37.5**		33.6

iii) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided that the IFRS 15 is applied at the same time as IFRS 16.

IFRS 16 sets out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities.

Under IFRS 16, most lease charges will be expensed as an asset amortization charge, along with a financial charge on the asset related financial liabilities. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the statement of income.

The Corporation expects that the adoption of IFRS 16 will have significant impacts on its consolidated financial statements since all of the Corporation segments are engaged in various long-term leases on premises and equipment. However, the adoption impacts on the consolidated financial statements have not yet been measured.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Senior Vice-President and Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2017, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the time frames prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by management during the financial period beginning October 1, 2017 and ending December 31, 2017.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, telephony and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;

- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 14, 2018, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 14, 2018

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2017, 2016 and 2015
(in millions of Canadian dollars, except per share data)

	2017	2016[1]	2015[1]
Operations			
Revenues	**$ 4,122.4**	$ 4,016.6	$ 3,890.8
Adjusted operating income	**1,593.4**	1,494.1	1,440.7
Contribution to net income attributable to shareholders:			
Continuing operations	**330.0**	305.5	239.9
(Loss) gain on valuation and translation of financial instruments	**(195.6)**	(68.4)	4.7
Unusual items	**223.4**	(42.4)	(79.0)
Discontinued operations	**11.9**	-	(13.8)
Net income attributable to shareholders	**369.7**	194.7	151.8
Cash flows provided by continuing operating activities	**1,171.1**	1,113.0	1,072.2
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 1.37**	$ 1.25	$ 0.98
(Loss) gain on valuation and translation of financial instruments	**(0.81)**	(0.28)	0.02
Unusual items	**0.92**	(0.17)	(0.32)
Discontinued operations	**0.05**	-	(0.06)
Net income attributable to shareholders	**1.53**	0.80	0.62
Dividends	**0.10**	0.09	0.07
Equity attributable to shareholders	**2.91**	1.86	1.22
Weighted average number of shares outstanding (in millions)	**241.8**	244.6	245.4
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 1.23**	$ 1.12	$ 0.89
Dilution impact	**0.13**	0.12	-
Loss on valuation and translation of financial instruments	**(0.81)**	(0.28)	(0.02)
Unusual items	**0.92**	(0.17)	(0.27)
Discontinued operations	**0.05**	-	(0.05)
Net income attributable to shareholders	**1.52**	0.79	0.55
Diluted weighted average number of shares (in millions)	**242.1**	245.4	287.4
Financial position			
Working capital	**$ (348.0)**	$ (429.9)	$ (328.1)
Long-term debt	**5,516.2**	5,616.9	5,812.4
Equity attributable to shareholders	**703.2**	455.2	298.9
Equity	**1,206.1**	847.2	652.0
Total assets	**9,685.8**	9,262.3	9,275.9

[1] Number of shares and per share data have been restated to reflect the impact of the November 15, 2017 stock split on a two-for-one basis.

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

	2017				2016			
	Dec. 31	**Sept. 30**[1]	**June 30**[1]	**March 31**[1]	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]
Revenues	**$ 1,059.2**	**$ 1,034.7**	**$ 1,032.1**	**$ 996.4**	$ 1,050.4	$ 998.3	$ 992.5	$ 975.4
Adjusted operating income	**411.9**	**421.1**	**395.3**	**365.1**	389.3	389.8	360.3	354.7
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**78.7**	**97.2**	**83.2**	**70.9**	84.7	83.2	69.9	67.7
(Loss) gain on valuation and translation of financial instruments	**(7.8)**	**(79.1)**	**(36.2)**	**(72.5)**	50.0	(68.2)	(57.0)	6.8
Unusual items	**(5.6)**	**149.0**	**78.6**	**1.4**	(11.4)	(23.3)	(3.1)	(4.6)
Discontinued operations	**0.3**	**4.8**	**6.8**	**-**	-	-	-	-
Net income (loss) attributable to shareholders	**65.6**	**171.9**	**132.4**	**(0.2)**	123.3	(8.3)	9.8	69.9
Basic data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.33**	**$ 0.40**	**$ 0.35**	**$ 0.29**	$ 0.35	$ 0.34	$ 0.28	$ 0.28
(Loss) gain on valuation and translation of financial instruments	**(0.03)**	**(0.33)**	**(0.15)**	**(0.30)**	0.20	(0.28)	(0.23)	0.03
Unusual items	**(0.03)**	**0.62**	**0.32**	**0.01**	(0.05)	(0.09)	(0.01)	(0.02)
Discontinued operations	**-**	**0.02**	**0.03**	**-**	-	-	-	-
Net income (loss) attributable to shareholders	**0.27**	**0.71**	**0.55**	**-**	0.50	(0.03)	0.04	0.29
Weighted average number of shares outstanding (in millions)	**239.7**	**241.4**	**242.8**	**243.2**	244.2	244.6	244.8	245.0
Diluted data per share								
Contribution to net income (loss) attributable to shareholders:								
Continuing operating activities	**$ 0.30**	**$ 0.36**	**$ 0.31**	**$ 0.26**	$ 0.31	$ 0.30	$ 0.26	$ 0.25
Dilution impact	**0.03**	**0.04**	**0.04**	**0.03**	-	0.04	0.03	-
(Loss) gain on valuation and translation of financial instruments	**(0.03)**	**(0.33)**	**(0.15)**	**(0.30)**	-	(0.28)	(0.24)	-
Unusual items	**(0.03)**	**0.62**	**0.32**	**0.01**	(0.04)	(0.09)	(0.01)	(0.02)
Discontinued operations	**-**	**0.02**	**0.03**	**-**	-	-	-	-
Net income (loss) attributable to shareholders	**0.27**	**0.71**	**0.55**	**-**	0.27	(0.03)	0.04	0.23
Weighted average number of diluted shares outstanding (in millions)	**240.0**	**241.8**	**243.2**	**243.2**	286.6	244.6	245.6	287.2

[1] Number of shares and per share data have been restated to reflect the impact of the November 15, 2017 stock split on a two-for-one basis.

This is Exhibit 56 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company with an interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups. On June 22, 2018, Quebecor Media Inc. became a wholly owned subsidiary of Quebecor Inc. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), a subsidiary of the Caisse de dépôt et placement du Québec, for an aggregate purchase price of $37.7 million, paid in cash. On the same date, Quebecor Media also paid off a security held by CDP Capital for $6.2 million. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.07% to 81.53%.

On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of a convertible debenture in the principal amount of $150.0 million, convertible into Class B Subordinate Voting Shares ("Class B Shares") of Quebecor. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.53% to 100.0%.

On January 1, 2018, the Corporation adopted, on a fully retroactive basis, the new rules under IFRS 15, *Revenue from Contracts with Customers*, which specify how and when an entity should recognize revenue. The adoption of IFRS 15 had significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, regarding the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs. Among other impacts, the adoption of IFRS 15 resulted in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. As well, costs to obtain a contract and connection costs are now fully amortized as operating expenses over the contract term or over the period of time the customer is expected to maintain its service. A description of the new rules, and details of the retroactive adjustments to comparative data, are provided under "Changes in accounting policies" below. As well, to clarify the impact of IFRS 15 on non-IFRS measures, columns presenting the non-IFRS measures without application of IFRS 15 have been added to the tables showing the calculation and reconciliation of non-IFRS measures, as presented under "Non-IFRS financial measures."

Following adoption of IFRS 15, and to reflect changes in its activities and services, including the growth of its mobile telephony business, the Corporation reviewed the nature and definition of its key performance indicators. Accordingly, average monthly revenue per user ("ARPU") has been abandoned and replaced by a new metric, average billing per unit ("ABPU"). ABPU will be used henceforth to measure the performance of mobile activities and the performance of all activities combined. The definition of the new ABPU metric is provided under "Key performance indicators" below. The definition of a revenue-generating unit ("RGU") has also been added in the same section; the nature and calculation of the metric are unchanged.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and cable telecommunications; Internet access; cable television; over-the-top ("OTT") video service; business telecommunications solutions; broadcasting; soundstage and equipment rental; newspaper publishing and distribution; specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a premier mobile and cable communication service provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and in related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. ("4Degrees Colocation") data centre operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, an estimated gain on disposal of $118.0 million will be accounted for in the first quarter of 2019, while an amount of $53.0 million from the proceeds received at the date of transaction will be deferred in connection with the estimated present value of the future conditional adjustments. The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statements of income and cash flows. The amount deferred will be revaluated on a quarterly basis and any change will also be recorded in income from discontinued operations.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor Media are included in the analysis of the Corporation's activities and in the analysis of its segment operating results.

HIGHLIGHTS SINCE END OF 2017

- Quebecor's revenues totalled $4.18 billion in 2018, a $55.9 million (1.4%) increase from 2017.
- On January 7, 2019, Quebecor announced the following corporate management changes:
  - Mr. Jean-François Pruneau, previously Senior Vice President and Chief Financial Officer of Quebecor and Quebecor Media, was appointed President and Chief Executive Officer of Videotron. Mr. Pruneau succeeds Ms. Manon Brouillette, who resigned as of December 31, 2018, and whose name was submitted to the Corporation's Human Resources Committee and Corporate Governance Committee at the beginning of 2019 for appointment to the Board of Directors of Quebecor. On the same day, Mr. Hughes Simard was appointed Chief Financial Officer of Quebecor and Quebecor Media.
  - Mr. Marc M. Tremblay was appointed Chief Operating Officer, Chief Legal Officer and Corporate Secretary of Quebecor and Quebecor Media. Mr. Tremblay was previously Senior Vice President, Chief Legal Officer and Public Affairs, and Corporate Secretary of Quebecor and Quebecor Media.

Telecommunications

- The Telecommunications segment grew its revenues by $94.2 million (2.9%) and its adjusted EBITDA by $119.2 million (7.7%) in 2018.
- Videotron significantly increased its revenues from mobile telephony ($64.6 million or 13.8%), Internet access ($48.4 million or 4.7%), customer equipment sales ($14.5 million or 6.6%) and the Club illico over-the-top video service ("Club illico") ($7.3 million or 18.4%) in 2018.
- Videotron's total ABPU was $49.51 in 2018, compared with $48.23 in 2017, a $1.28 (2.7%) increase. Mobile ABPU was $53.62 in 2018 compared with $53.23 in 2017, a $0.39 (0.7%) increase.
- There was a net increase of 109,200 RGUs (1.9%) in 2018, including 129,800 connections to the mobile telephony service, 38,000 subscriptions to the cable Internet access service and 59,200 memberships in Club illico.
- On November 9, 2018, Videotron announced that it had ranked as one of Canada's Top 100 Employers in a prestigious competition that recognizes employers that lead their industries in offering exceptional workplaces for their employees.
- On September 13, 2018, Videotron announced the launch of Fizz, a dynamic and competitive new brand that delivers mobile service featuring an empowering, fully digital experience and advantageous pricing. Videotron, the Corporation's flagship brand, will continue focusing on premium wireless plans and on the business segment, while Fizz will aim to increase market penetration among both digital natives and new mobile users.
- Videotron was ranked the most respected telecommunications company in Québec for the 13th consecutive year in the 2018 Léger-NATIONAL reputation survey. Videotron was also the most influential telecommunications brand in Québec on the 2018 Ipsos-*Infopresse* index.

Media

- On February 22, 2019, TVA Group Inc. ("TVA Group") reached an agreement to acquire the companies in the Incendo Media Inc. group, a Montréal-based producer and distributor of television products for international markets, for approximately $19.5 million, subject to certain adjustments. The transaction is subject to customary conditions.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. group, which owns and operates the Évasion and Zeste specialty channels, along with the companies in the Serdy Video Inc. group, for a total consideration of $24.0 million. The transaction was announced on May 1, 2018. The transaction was approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") on January 14, 2019.
- On October 15, 2018, Quebecor launched QUB radio, a new online and mobile app audio platform with a live radio stream and a library of podcasts. QUB radio is an innovative audio project that positions Quebecor as a leader in digital media in Canada.
- On August 27, 2018, TVA Group acquired all the shares of Audio Zone Inc. ("Audio Zone"), a film production and audiovisual services company that provides postproduction sound services.
- On August 13, 2018, Quebecor acquired LC Media Inc. ("LC Media"), owner of *Le Guide de l'auto*, an authoritative car guide published by Quebecor's Les Éditions de l'Homme. *Le Guide de l'auto* has also made a successful shift to digital, drawing 1.5 million unique visitors monthly to its websites, *guideautoweb.com* and *carguideweb.com*. The acquisition will enable Quebecor to enrich the automotive content on all its platforms.
- According to the fall 2018 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with nearly 4.0 million readers per week across all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with 9.0 million readers per week across all platforms.
- On May 3, 2018, TVA Sports became the official French-language broadcaster of the 2020 UEFA European Football Championship (Euro 2020). TVA Sports will broadcast all 51 games of the prestigious international soccer tournament, in which Europe's 24 best national teams will compete.
- On January 22, 2018, TVA Group acquired the assets of Mobilimage inc. ("Mobilimage"), essentially consisting of mobile units and production equipment, for $2.7 million. The acquired mobile unit and production equipment rental business has been folded into the film production and audiovisual services segment's operations.

Sports and Entertainment

- In September 2018, the Videotron Centre completed its third year of operations. During that year, the Videotron Centre hosted 91 sporting events and concerts, a 8.3% increase from the previous year. In April 2018, *Billboard* magazine ranked the Videotron Centre number 5 on its list of top Canadian arenas, based on concert receipts.

Financial transactions

- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.
- On November 26, 2018, Quebecor amended its secured revolving credit facility, reducing it from $300.0 million to $50.0 million and extending its term to July 2020, while Videotron amended its secured revolving credit facility, increasing it from $965.0 million to $1.50 billion and extending its term to July 2023. Certain conditions related to those credit facilities were also amended.
- On August 21, 2018, the Corporation issued a notice regarding the redemption on October 12, 2018 of all its outstanding 4.125% convertible debentures maturing on October 15, 2018, in the aggregate principal amount of $362.5 million. In accordance with the terms of the convertible debentures, the Corporation elected to exercise its right to settle the redemption of all the outstanding debentures in shares. Accordingly, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018. In February and May 2018, the Corporation also issued notices regarding the redemption on April 4 and July 24, 2018 of convertible debentures in the aggregate principal amount of $87.5 million. The redemption prices were paid upon redemption of the debentures.
- In 2018, the Corporation increased its interest in Quebecor Media from 81.53% to 100.0% through the following transactions:
    - On May 11 and June 22, 2018, Quebecor Media repurchased for cancellation a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash.

   - On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of $150.0 million aggregate principal amount of convertible debentures of Quebecor. The debentures bear interest at an annual rate of 4.00% and mature in June 2024. The convertible debentures are convertible into Class B Shares of Quebecor in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares of Quebecor corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares of Quebecor corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture. The other terms and conditions of the convertible debentures are substantially consistent with the terms of the convertible debentures issued under the Corporation's trust agreement dated October 11, 2012, as amended.

- In view of the Corporation's current and prospective financial profile, the Board of Directors examined the dividend policy in the first quarter of 2018 and set a dividend target of 30% to 50% of the Corporation's annual free cash flows, to be achieved gradually by the end of a four-year period. Accordingly, the Corporation's quarterly dividend was increased by 100%.
- In 2018, the Corporation purchased and cancelled 11,390,300 Class B Shares under its normal course issuer bid for a total cash consideration of $291.7 million. The $257.6 million excess of the purchase price over the carrying value of the repurchased Class B Shares of Quebecor was recorded as a reduction in retained earnings.

TREND INFORMATION

Competition continues to be intense in the mobile and cable telephony, Internet access, cable television and OTT video markets. The significant subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth, due to the penetration rates currently reached.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and cable networks, the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term in order to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to advancements in Internet access and TV everywhere, including higher capacity, lower latency and higher speeds, requiring IP technology, and the introduction of new technologies such as virtual reality and the Internet of Things ("IoT"). In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow in the future. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's ability to support this traffic. The Telecommunications segment may have to acquire additional spectrum, if available, in the future.

Some of Quebecor's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

In the Media segment, the broadcasting industry is undergoing a period of significant change. Television audiences are fragmenting as viewing habits shift toward specialty channels and Internet-based content delivery platforms that allow users greater control over content and timing, such as the OTT video services. Audience fragmentation has prompted many advertisers to review their media placement strategies. The Media segment is taking steps to adjust to the profound changes in the broadcasting industry in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want. Moreover, newspaper circulation, measured in terms of copies sold, has been declining in that industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations continue to develop their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required in order to expand the Sports and Entertainment segment. In the books and music businesses, digital technology is disrupting buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats.

INTEREST IN SUBSIDIARIES

As of December 31, 2018, Quebecor held a 100% interest in Quebecor Media. The Corporation's interest in Quebecor Media increased from 81.07% to 81.53% on July 6, 2017, as a result of the repurchase by Quebecor Media of 541,899 of its Common Shares held by CDP Capital, and from 81.53% to 100% as a result of the repurchase by Quebecor Media on May 11 and June 22, 2018 of 16,064,215 of its Common Shares held by CDP Capital, and the purchase by Quebecor on June 22, 2018 of 1,564,696 shares of Quebecor Media held by CDP Capital.

Table 1 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2018.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2018

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past three years.

NON-IFRS FINANCIAL MEASURES

The non-IFRS financial measures that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

On a transitional basis and to clarify the impact of the retroactive adoption of IFRS 15, as described under "Changes in Accounting Policies," columns have been added to the calculation and reconciliation tables for non-IFRS financial measures, where applicable. Accordingly, those tables also show the calculation and reconciliation of non-IFRS measures in 2018 and 2017 based on the former accounting policies with respect to revenue recognition, i.e. without the adjustments required by adoption of IFRS 15.

Adjusted EBITDA (formerly "Adjusted operating income")

In its analysis of operating results, the Corporation defines EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and intangible assets, loss on debt refinancing, income taxes, and income from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 2 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2018 and 2017 presented in Table 2 is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	With adoption of IFRS15[1]				Without IFRS15[2]			
	Years ended December 31		Three months ended December 31		Years ended December 31		Three months ended December 31	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Adjusted EBITDA (negative adjusted EBITDA):								
Telecommunications	**$ 1,677.0**	$ 1,557.8	**$ 425.9**	$ 394.9	**$ 1,654.5**	$ 1,523.0	**$ 409.5**	$ 386.7
Media	**55.3**	69.3	**27.5**	22.4	**55.3**	69.3	**27.5**	22.4
Sports and Entertainment	**5.0**	6.2	**1.9**	2.3	**5.0**	6.2	**1.9**	2.3
Head Office	**(5.2)**	(16.1)	**(5.3)**	(1.6)	**(5.2)**	(16.1)	**(5.3)**	(1.6)
	1,732.1	1,617.2	**450.0**	418.0	**1,709.6**	1,582.4	**433.6**	409.8
Depreciation and amortization	**(720.2)**	(707.9)	**(182.2)**	(193.0)	**(720.2)**	(707.9)	**(182.2)**	(193.0)
Financial expenses	**(323.5)**	(307.4)	**(84.4)**	(77.1)	**(323.5)**	(307.4)	**(84.4)**	(77.1)
Loss on valuation and translation of financial instruments	**(61.3)**	(199.8)	**(10.6)**	(8.1)	**(61.3)**	(199.8)	**(10.6)**	(8.1)
Restructuring of operations, litigation and other items	**(29.8)**	(17.2)	**(7.7)**	(9.9)	**(29.8)**	(17.2)	**(7.7)**	(9.9)
Gain on sale of spectrum licences	**–**	330.9	**–**	–	**–**	330.9	**–**	–
Impairment of goodwill and intangible assets	**–**	(43.8)	**–**	–	**–**	(43.8)	**–**	–
Loss on debt refinancing	**–**	(15.6)	**–**	–	**–**	(15.6)	**–**	–
Income taxes	**(161.9)**	(145.9)	**(46.4)**	(38.2)	**(161.9)**	(145.9)	**(46.4)**	(38.2)
Income from discontinued operations	**3.8**	18.2	**1.1**	0.7	**3.8**	18.2	**1.1**	0.7
Impact of IFRS 15	**–**	–	**–**	–	**22.5**	34.8	**16.4**	8.2
Net income	**$ 439.2**	$ 528.7	**$ 119.8**	$ 92.4	**$ 439.2**	$ 528.7	**$ 119.8**	$ 92.4

1 Non-IFRS measures presented in these columns are calculated based on the new IFRS 15 rules adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, gain on sale of spectrum licences, impairment of goodwill and intangible assets, loss on debt refinancing, net of income tax related to adjustments and of net income attributable to non-controlling interest related to adjustments, and before income from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 3 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2018 and 2017 presented in Table 3 is drawn from the unaudited consolidated statements of income.

Table 3

Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements

(in millions of Canadian dollars)

	With adoption of IFRS 15[1]				Without IFRS 15[2]			
	Years ended December 31		Three months ended December 31		Years ended December 31		Three months ended December 31	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
Adjusted income from continuing operating activities	**$ 468.1**	$ 347.9	**$ 132.7**	$ 83.3	**$ 450.7**	$ 327.1	**$ 120.6**	$ 78.5
Loss on valuation and translation of financial instruments	**(61.3)**	(199.8)	**(10.6)**	(8.1)	**(61.3)**	(199.8)	**(10.6)**	(8.1)
Restructuring of operations, litigation and other items	**(29.8)**	(17.2)	**(7.7)**	(9.9)	**(29.8)**	(17.2)	**(7.7)**	(9.9)
Gain on sale of spectrum licences	**–**	330.9	**–**	–	**–**	330.9	**–**	–
Impairment of goodwill and intangible assets	**–**	(43.8)	**–**	–	**–**	(43.8)	**–**	–
Loss on debt refinancing	**–**	(15.6)	**–**	–	**–**	(15.6)	**–**	–
Income taxes related to adjustments[3]	**19.2**	16.0	**1.3**	2.9	**19.2**	16.0	**1.3**	2.9
Net income attributable to non-controlling interest related to adjustments	**1.8**	(42.7)	**–**	1.7	**1.8**	(42.7)	**–**	1.7
Discontinued operations	**3.5**	14.8	**1.1**	0.5	**3.5**	14.8	**1.1**	0.5
Impact of IFRS 15	**–**	–	**–**	–	**17.4**	20.8	**12.1**	4.8
Net income attributable to shareholders	**$ 401.5**	$ 390.5	**$ 116.8**	$ 70.4	**$ 401.5**	$ 390.5	**$ 116.8**	$ 70.4

1 Non-IFRS measures presented in these columns are calculated based on the new IFRS 15 rules adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

3 Includes impact of fluctuations in income taxes applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash flows from segment operations

Cash flows from segment operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). The Corporation uses cash flows from segment operations as a measure of the liquidity generated by its segments. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets (excluding proceeds from disposal of licences). Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

KEY PERFORMANCE INDICATORS

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the cable Internet, cable television and Club illico services, and subscriber connections to the mobile telephony and cable telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for cable Internet, cable television, Club illico, mobile telephony and cable telephony services, by the total average number of RGUs from cable Internet, cable television, mobile telephony and cable telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2018/2017 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.18 billion, a $55.9 million (1.4%) increase.

- Revenues increased in Telecommunications ($94.2 million or 2.9% of segment revenues) and in Sports and Entertainment ($0.8 million or 0.4%).
- Revenues decreased in Media ($41.3 million or -5.4%).

Adjusted EBITDA: $1.73 billion, a $114.9 million (7.1%) increase.

- Adjusted EBITDA increased in Telecommunications ($119.2 million or 7.7% of segment adjusted EBITDA). There was a favourable variance at Head Office ($10.9 million), mainly due to lower compensation costs.
- There was an unfavourable variance in Media ($14.0 million or -20.2%) and in Sports and Entertainment ($1.2 million or -19.4%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.5 million unfavourable variance in the stock-based compensation charge in 2018 compared with 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.1 million favourable variance in the Corporation's stock-based compensation charge in 2018.

Net income attributable to shareholders: $401.5 million ($1.68 per basic share) in 2018, compared with $390.5 million ($1.61 per basic share) in 2017, an increase of $11.0 million ($0.07 per basic share).

- The main favourable variances were:
  - $138.5 million favourable variance in losses on valuation and translation of financial instruments, including $137.0 million without any tax consequences;
  - $114.9 million increase in adjusted EBITDA;
  - $100.5 million favourable variance in non-controlling interest;
  - $43.8 million favourable variance in impairment of goodwill and intangible assets;
  - $15.6 million favourable variance in the loss on debt refinancing.
- The main unfavourable variances were:
  - $330.9 million gain on the sale of spectrum licences recognized in 2017, including $165.5 million without any tax consequences;
  - $16.1 million increase in financial expenses;
  - $16.0 million increase in the income tax expense;
  - $14.4 million unfavourable variance in income from discontinued operations;
  - $12.6 million unfavourable variance in the charge for restructuring of operations, litigation and other items;
  - $12.3 million increase in the depreciation and amortization charge.

Adjusted income from continuing operating activities: $468.1 million ($1.96 per basic share) in 2018, compared with $347.9 million ($1.44 per basic share) in 2017, an increase of $120.2 million ($0.52 per basic share) or 34.6%.

Depreciation and amortization charge: $720.2 million, a $12.3 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems.

Financial expenses: $323.5 million in 2018, a $16.1 million increase caused mainly by higher average indebtedness as a result of debt financing a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018, partially offset by higher interest revenues generated by liquidity and a lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $61.3 million in 2018 compared with $199.8 million in 2017. The $138.5 million favourable variance was essentially due to a $137.0 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $29.8 million in 2018, compared with $17.2 million in 2017, a $12.6 million unfavourable variance.

- A $14.9 million charge was recognized in 2018 in connection with cost-reduction initiatives in the Corporation's various segments and with disposal of assets. A $17.2 million net charge related to cost-reduction initiatives, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes was recognized in 2017.
- A $14.9 million charge for impairment of assets was also recognized in 2018 in connection with various restructuring initiatives, primarily in the Telecommunications segment.

Gain on sale of spectrum licences: $330.9 million in 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw Communications Inc. ("Shaw") for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its Advanced Wireless Services ("AWS-1") spectrum licence in the Toronto metropolitan area to Rogers Communications Canada Inc. ("Rogers") for a cash consideration of $184.2 million, pursuant to the transfer option held since 2013 by Videotron. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.

Charge for impairment of goodwill and intangible assets: $43.8 million in 2017.

- In 2017, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, and a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, were recorded in 2017. An additional $1.4 million charge for impairment of intangible assets was also recognized in various segments of the Corporation in 2017.

Loss on debt refinancing: $15.6 million in 2017.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $5.2 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.

Income tax expense: $161.9 million (effective tax rate of 24.5%) in 2018, compared with $145.9 million (effective tax rate of 21.6%) in 2017, a $16.0 million unfavourable variance. The effective tax rates mainly reflect recognition of benefits arising from prior year tax losses in 2018 and 2017. The increase in the effective rate was mainly due to recognition of lower tax losses in 2018 than in 2017. The increase in the income tax expense was due to the increase in effective tax rates, partially offset by the impact of the decrease in taxable income for tax purposes. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,907 900 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital cable television services, including video-on-demand, pay-per-view and pay TV; cable telephony services; and Club illico. Videotron also includes Videotron Business, a full-service business telecommunications provider that offers mobile and cable telephony, high-speed data transmission, Internet access and cable television services. In September 2018, Videotron launched Fizz, a brand that delivers advantageously priced mobile service featuring an empowering, fully digital experience.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary ("Le SuperClub Vidéotron") and its franchise network.

2018 operating results

Revenues: $3.38 billion in 2018, a $94.2 million (2.9%) increase.

- Revenues from the mobile telephony service increased $64.6 million (13.8%) to $534.4 million, essentially due to an increase in the number of subscriber connections.
- Revenues from Internet access service increased $48.4 million (4.7%) to $1.08 billion, mainly as a result of higher per-subscriber revenues, reflecting, among other things, the favourable impact of the product mix and increases in some rates, as well as customer growth, partially offset by a decrease in overage charges.
- Combined revenues from all cable television services decreased $12.9 million (-1.3%) to $996.7 million, due primarily to the impact of a net decrease in the customer base, the unfavourable product mix and a decrease in video-on-demand and pay-per-view orders, partially offset by higher per-customer revenues due in part to increases in some rates, and by increased revenues from the leasing of digital set-top boxes.
- Revenues from the cable telephony service decreased $29.2 million (-7.3%) to $368.6 million, mainly because of the impact of the net decrease in subscriber connections and lower long-distance revenues, partially offset by higher per-connection revenues.
- Revenues from Club illico increased $7.3 million (18.4%) to $47.0 million, essentially because of subscriber growth.
- Revenues of Videotron Business increased $3.4 million (3.2%) to $108.2 million, due primarily to the impact of higher revenues at Fibrenoire inc. ("Fibrenoire").
- Revenues from customer equipment sales increased $14.5 million (6.6%) to $233.5 million, mainly because of higher mobile device revenues.
- Revenues of the Le SuperClub Vidéotron retail chain decreased $0.7 million (-11.1%) to $5.6 million, mainly because of store closures.
- Other revenues decreased $1.3 million (-13.0%) to $8.7 million.

ABPU: $49.51 in 2018 compared with $48.23 in 2017, a $1.28 (2.7%) increase. Mobile ABPU was $53.62 in 2018 compared with $53.23 in 2017, a $0.39 (0.7%) increase.

Customer statistics

RGUs – The total number of RGUs was 5,990,300 at December 31, 2018, an increase of 109,200 (1.9%) in 2018 compared with an increase of 115,700 in 2017 (Table 4).

Mobile telephony service – The number of subscriber connections to the mobile telephony service stood at 1,153,800 at December 31, 2018, an increase of 129,800 (12.7%) in 2018 compared with an increase of 130,100 in 2017 (Table 4).

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,704,500 at December 31, 2018, an increase of 38,000 (2.3%) in 2018 compared with an increase of 53,700 in 2017 (Table 4). As of December 31, 2018, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,907,900 homes and businesses passed by Videotron's network as of December 31, 2018, up from 2,873,700 one year earlier) of 58.6% compared with 58.0% a year earlier.

Cable television – The combined customer base for all of Videotron's digital cable television services decreased by 43,200 (-2.7%) in 2018, compared with a decrease of 50,400 in 2017 (Table 4). As of December 31, 2018, Videotron had 1,597,300 subscribers to its cable television services. The household and business penetration rate was 54.9% versus 57.1% a year earlier.

Cable telephony service – The number of subscriber connections to the cable telephony service stood at 1,113,900 at December 31, 2018, a decrease of 74,600 (-6.3%) in 2018 compared with a decrease of 64,600 in 2017 (Table 4). At December 31, 2018, the cable telephony service had a household and business penetration rate of 38.3% versus 41.4% a year earlier.

Club illico – The number of subscribers to Club illico stood at 420,800 at December 31, 2018, an increase of 59,200 (16.4%) in 2018 compared with an increase of 46,900 in 2017 (Table 4).

Table 4
Telecommunications segment year-end RGUs (2014-2018)
(in thousands of customers)

	2018	2017	2016	2015	2014
Mobile telephony	**1,153.8**	1,024.0	893.9	768.6	632.8
Cable Internet	**1,704.5**	1,666.5	1,612.8	1,568.2	1,537.5
Cable television:					
Analog	**–**	–	103.8	166.3	228.7
Digital	**1,597.3**	1,640.5	1,587.1	1,570.6	1,553.6
	1,597.3	1,640.5	1,690.9	1,736.9	1,782.3
Cable telephony	**1,113.9**	1,188.5	1,253.1	1,316.3	1,349.0
Club illico	**420.8**	361.6	314.7	257.5	177.7
Total	**5,990.3**	5,881.1	5,765.4	5,647.5	5,479.3

Adjusted EBITDA: $1.68 billion, a $119.2 million (7.7%) increase due primarily to:

- Impact of the net revenue increase.
- Favourable variance related to an adjustment recorded in 2018 arising from the CRTC decision on roaming fees issued during the first quarter of 2018.
- Decreases in some operating expenses, including engineering, administrative and IT costs.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.4% in 2018 compared with 52.6% in 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, the favourable adjustment related to roaming fees recorded in 2018, and decreases in some operating expenses.

Cash flows from operations

Cash flows from segment operations: $975.8 million in 2018 compared with $860.2 million in 2017 (Table 5).

- The $115.6 million increase was due to the $119.2 million increase in adjusted EBITDA and a $54.2 million decrease in additions to property, plant and equipment because of reduced investments in wired and wireless networks, partially offset by an $57.9 million increase in additions to intangible assets, mainly reflecting spending on the Internet Protocol television ("IPTV") project and IT systems.

Table 5: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

	With adoption of IFRS 15[1]		Without IFRS 15[2]	
	2018	2017	**2018**	2017
Adjusted EBITDA	**$ 1,677.0**	$ 1,557.8	**$ 1,654.5**	$ 1,523.0
Additions to property, plant and equipment	**(516.7)**	(570.9)	**(516.7)**	(570.9)
Additions to intangible assets	**(190.2)**	(132.3)	**(190.2)**	(132.3)
Proceeds from disposal of assets (excluding spectrum licences)	**5.7**	5.6	**5.7**	5.6
Cash flows from segment operations	**$ 975.8**	$ 860.2	**$ 953.3**	$ 825.4

1 Non-IFRS measures presented in these columns are calculated based on the new IFRS 15 rules adopted by the Corporation on a retroactive basis and described under “Changes in Accounting Policies.”

2 Non-IFRS measures presented in these columns are calculated based on the Corporation’s former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network and the specialty channels TVA Sports, LCN, addik[TV], Prise 2, Yoopa, CASA, MOI&cie, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates. As well, TVA Group is engaged in commercial production and in the distribution of audiovisual products through its TVA Films division. In addition to linear television, TVA Network and the specialty channels broadcast on-demand and streaming content through their multiplatform applications. The *TVA.ca* website and the TVA mobile app provide free access to TVA Network programs and some specialty channel content in high definition, live or on demand.

TVA Group also owns Mels Studios and Postproduction G.P., a provider of soundstage, equipment and mobile unit rental, postproduction, dubbing, distribution and visual effects services to the film and television industries.

Through its subsidiaries, TVA Publications Inc. and Les Publications Charron & Cie inc., TVA Group publishes more than 50 French- and English-language titles in various categories, including show business, television, fashion and decorating, and it markets digital products associated with the various magazine brands. The Media segment’s activities also include a custom publishing business, which produces custom multiplatform content marketing for its customers; the development of audience acquisition strategies; production of advertising, videos and digital content; and management of customers’ social media accounts. TVA Group is the largest magazine publisher in Québec.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures* and the J5 app, which provides real-time access to news on mobile devices, tablets and Apple Watch. The websites of the paid dailies, *journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with more than 3.7 million visitors per month (source: ComScore, December 2018). According to corporate figures, the aggregate circulation of the Media segment’s paid and free newspapers as of December 31, 2018 was approximately 2.5 million copies per week in print and electronic formats.

The Media segment also operates a number of other digital brands, including *Le sac de chips, Pèse sur Start, Silo 57* and *Tabloïd.* In addition, it includes NumériQ inc.(“NumériQ”), which brings together the digital strategy and content production assets harnessed to create digital platforms and content for the Corporation’s various platforms. Since August 2018, NumériQ has operated all the platforms of the authoritative car guide *Le Guide de l’auto*, including the *guideautoweb.com* website. In October 2018, NumériQ launched QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts.

The Media segment’s apps and websites log 6.5 million unique visitors per month in Canada (source: ComScore, December 2018).

The Media segment is also engaged in the printing of newspapers, the distribution of newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, as well as Quebecor Media Sales, which offers Media segment customers integrated, diversified and complete advertising services.

2018 operating results

Revenues: $728.6 million in 2018, a $41.3 million (-5.4%) decrease.

- Broadcasting revenues decreased by $21.5 million (-4.9%), mainly because of lower advertising revenues at TVA Network and TVA Sports, as well as lower commercial production revenues, partially offset by higher subscription revenues at the specialty channels.
- Film production and audiovisual service revenues increased by $1.3 million (1.9%), mainly because of:
    - higher revenues from soundstage and equipment rental and from postproduction;
    - impact of acquisition of the assets of Mobilimage in January 2018.

  Partially offset by:
    - lower revenues from visual effects.
- Newspaper publishing revenues decreased $9.2 million (-5.0%).
    - Advertising revenues decreased 12.1%; circulation revenues decreased 1.5%; digital revenues decreased 8.8%; combined revenues from commercial printing and other sources increased 6.1%.
- Magazine publishing revenues decreased by $16.9 million (-17.9%), primarily as a result of lower advertising revenues, the sale of a publication and lower newsstand and subscription revenues.
- Revenues of Quebecor Media Out of Home increased by $1.7 million (10.9%), mainly because of higher digital and traditional advertising revenues.

Adjusted EBITDA: $55.3 million in 2018, a $14.0 million (-20.2%) decrease.

- Adjusted EBITDA from broadcasting decreased by $14.6 million (-35.1%), mainly because of the impact of the revenue decrease, partially offset by the reduction in operating expenses resulting from, among other things, the favourable impact of restructuring initiatives.
- Adjusted EBITDA from film production and audiovisual services increased by $0.4 million (2.8%), due primarily to the impact of the net revenue increase.
- Adjusted EBITDA from newspaper publishing decreased by $0.2 million (-4.4%), mainly because of the impact of the revenue decrease and spending on digital activities, partially offset by the reduction in operating expenses, resulting from, among other things, the impact of restructuring initiatives.
- Adjusted EBITDA from magazine publishing decreased by $1.8 million (-18.0%), mainly because of the impact of the revenue decrease, partially offset by cost reductions related to restructuring initiatives and decreases in some operating expenses, including subscription, labour, selling and production costs.
- The adjusted EBITDA of Quebecor Media Out of Home increased by $1.3 million mainly because of the impact of the revenue increase.
- There was a $0.9 million net favourable variance related to rebilling of common selling and digital service charges.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Media segment operations, expressed as a percentage of revenues, were 92.4% in 2018 compared with 91.0% in 2017, mainly because of the large fixed component of operating costs, which does not fluctuate in proportion to the net decrease in revenues, partially offset by the impact of restructuring and cost-reduction initiatives.

Cash flows from operations

Cash flows from segment operations: $25.5 million in 2018 compared with $37.3 million in 2017 (Table 6). The $11.8 million unfavourable variance was due primarily to the $14.0 million unfavourable variance in adjusted EBITDA, partially offset by a $3.0 million favourable variance in proceeds from disposal of assets.

Table 6: Media
Cash flows from operations
(in millions of Canadian dollars)

	2018	2017
Adjusted EBITDA	**$ 55.3**	$ 69.3
Additions to property, plant and equipment	**(28.7)**	(29.4)
Additions to intangible assets	**(4.8)**	(3.3)
Proceeds from disposal of assets	**3.7**	0.7
Cash flows from segment operations	**$ 25.5**	$ 37.3

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment also includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc. and Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses, and in the physical and digital distribution of books through Messageries A.D.P. inc., the exclusive distributor for more than 210 Québec and European French-language publishers.

Lastly, the Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); and concert and event production (Musicor Spectacles).

2018 operating results

Revenues: $182.1 billion, a $0.8 million (0.4%) increase from 2017.

- Revenues from sports and concerts increased by $0.6 million (1.6%), mainly because of increased hockey revenues, partially offset by a decrease in revenues from sporting events.
- Book distribution and publishing revenues decreased by $1.8 million (-1.7%), primarily as a result of lower volumes in mass market distribution, combined with decreased revenues from general literature.
- Music distribution and production revenues increased by $2.0 million (5.0%), primarily as a result of higher concert production revenues.

Adjusted EBITDA: $5.0 million in 2018, a $1.2 million (-19.4%) unfavourable variance.

- There was a $0.4 million (-6.3%) unfavourable variance in negative adjusted EBITDA from sports and concerts, mainly because of higher operating expenses related to hockey and sporting events, partially offset by the impact of the revenue increase.
- Adjusted EBITDA from book distribution and publishing increased by $1.2 million (9.6%), due mainly to the impact of decreases in some operating expenses, including selling and administrative expenses, partially offset by the impact of the revenue decrease.
- There was a $1.9 million unfavourable variance in negative adjusted EBITDA from music production, due primarily to increases in some operating expenses, including the charge for bad debts and selling and administrative expenses.

Cash flows from operations

Cash flows from segment operations: Nil in 2018 compared with $0.6 million in 2017 (Table 7). The $0.6 million unfavourable variance was due to the $1.2 million decrease in adjusted EBITDA, partially offset by $0.8 million decrease in additions to intangible assets.

Table 7: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	2018	2017
Adjusted EBITDA	**$ 5.0**	$ 6.2
Additions to property, plant and equipment	**(1.5)**	(1.3)
Additions to intangible assets	**(3.5)**	(4.3)
Cash flows from segment operations	**$ –**	$ 0.6

2018/2017 FOURTH QUARTER COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $1.09 billion, a $27.6 million (2.6%) increase.

- Revenues increased in Telecommunications ($24.4 million or 2.9% of segment revenues) and in Sports and Entertainment ($3.2 million or 6.4%).
- Revenues decreased in Media ($1.5 million or -0.8%).

Adjusted EBITDA: $450.0 million, a $32.0 million (7.7%) increase.

- Adjusted EBITDA increased in Telecommunications ($31.0 million or 7.9% of segment adjusted EBITDA) and in Media ($5.1 million or 22.8%).
- Adjusted EBITDA decreased in Sports and Entertainment ($0.4 million or -17.4%) and there was an unfavourable variance at Head Office (-$3.7 million). The change at Head Office was essentially due to higher compensation costs, including the stock-based compensation charge.
- The change in the fair value of Quebecor Media stock options resulted in a $2.3 million unfavourable variance in the stock-based compensation charge in the fourth quarter of 2018 compared with the same period of 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.2 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2018.

Net income attributable to shareholders: $116.8 million ($0.46 per basic share) in the fourth quarter of 2018, compared with $70.4 million ($0.29 per basic share) in the same period of 2017, a favourable variance of $46.4 million ($0.17 per basic share).

- The main favourable variances were:
  - $32.0 million increase in adjusted EBITDA;
  - $19.0 million favourable variance in non-controlling interest;
  - $10.8 million decrease in the depreciation and amortization charge.
- The main unfavourable variances were:
  - $8.2 million increase in the income tax expense;
  - $7.3 million increase in financial expenses.

Adjusted income from continuing operating activities: $132.7 million ($0.52 per basic share) in the fourth quarter of 2018, compared with $83.3 million ($0.35 per basic share) in the same period of 2017, an increase of $49.4 million ($0.17 per basic share) or 59.3%.

Depreciation and amortization charge: $182.2 million in the fourth quarter of 2018, a $10.8 million decrease due mainly to the impact of a change in the depreciation period for some telecommunications network components in the fourth quarter of 2017.

Financial expenses: $84.4 million in the fourth quarter of 2018, a $7.3 million increase caused mainly by higher average indebtedness as a result of debt financing a portion of the repurchase of Quebecor Media shares held by CDP Capital in the second quarter of 2018 and lower interest revenues generated by liquidity, partially offset by a lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $10.6 million in the fourth quarter of 2018, compared with $8.1 million in the same period of 2017, a $2.5 million unfavourable variance.

Restructuring of operations, litigation and other items: $7.7 million in the fourth quarter of 2018, compared with $9.9 million in the same period of 2017, a $2.2 million favourable variance.

- A $7.7 million net charge was recognized in the fourth quarter of 2018 in connection with cost-reduction initiatives in the Corporation's various segments.
- A $9.9 million net charge was recognized in the fourth quarter of 2017 in connection with cost-reduction initiatives in the Corporation's various segments and customer migration from analog to digital service in the Telecommunications segment.

Income tax expense: $46.4 million in the fourth quarter of 2018 (effective tax rate of 26.3%), compared with $38.2 million in the same period of 2017 (effective tax rate of 27.8%), an $8.2 million unfavourable variance caused essentially by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $866.1 million, a $24.4 million (2.9%) increase due primarily to the same factors as those noted above in the “2018/2017 financial year comparison.”

- Revenues from mobile telephony service increased $16.0 million (13.0%) to $139.5 million.
- Revenues from Internet access services increased $11.0 million (4.2%) to $274.1 million.
- Combined revenues from all cable television services decreased $4.4 million (-1.7%) to $249.0 million.
- Revenues from cable telephony service decreased $7.0 million (-7.2%) to $89.8 million.
- Revenues from Club illico increased $1.5 million (13.9%) to $12.3 million.
- Revenues of Videotron Business increased $0.6 million (2.3%) to $26.9 million.
- Revenues from customer equipment sales increased $7.2 million (11.3%) to $70.9 million.
- Revenues of Le SuperClub Vidéotron retail chain decreased $0.2 million (-12.5%) to $1.4 million.
- Other revenues decreased $0.5 million (-19.2%) to $2.1 million.

Total ABPU: $49.84 in the fourth quarter of 2018 compared with $48.90 in the same period of 2017, a $0.94 (1.9%) increase. Mobile ABPU was $53.25 in the fourth quarter of 2018 compared with $53.56 in the same period of 2017, a $0.31 $ (0.6%) decrease due in part to the popularity of bring your own device (“BYOD”) plans, multi-line plans and the impact of the launch of Fizz, the new advantageously priced, fully digital mobile brand.

Customer statistics

RGUs – 34,400 (0.6%) unit increase in the fourth quarter of 2018 compared with an increase of 34,900 in the same period of 2017.

Mobile telephony – 33,100 (3.0%) subscriber-connection increase in the fourth quarter of 2018 compared with an increase of 33,700 in the same period of 2017.

Cable Internet access – 7,000 (0.4%) customer increase in the fourth quarter of 2018 compared with an increase of 12,400 in the same period of 2017.

Cable television – 6,400 (-0.4%) decrease in the combined customer base for all of Videotron’s cable television services in the fourth quarter of 2018 compared with a decrease of 8,500 in the same period of 2017.

Cable telephony – 17,200 (-1.5%) subscriber decrease in the fourth quarter of 2018 compared with a decrease of 16,900 in the same period of 2017.

Club illico – 17,900 (4.4%) subscriber increase in the fourth quarter of 2018 compared with an increase of 14,200 in the same period of 2017.

Adjusted EBITDA: $425.9 million, a $31.0 million (7.9%) increase due primarily to:

- Impact of the net revenue increase.
- Favourable variance in some operating expenses, including taxes on the network, engineering expenses and IT expenses.

Cost/revenue ratio: Operating costs for all Telecommunications segment operations, expressed as a percentage of revenues, were 50.8% in the fourth quarter of 2018 compared with 53.1% in the same period of 2017, mainly because of the fixed component of costs, which does not fluctuate in proportion to revenue growth, and the decrease in operating expenses.

Media

Revenues: $198.0 million in the fourth quarter of 2018, a $1.5 million (-0.8%) decrease.

- Broadcasting revenues decreased by $3.7 million (-3.2%), mainly because of lower advertising revenues at TVA Network and TVA Sports, as well as lower commercial production revenues, partially offset by higher subscription revenues at the specialty channels.
- Film production and audiovisual service revenues increased by $2.3 million (13.8%), mainly because of higher revenues from soundstage and equipment rentals and from postproduction, partially offset by lower visual effects revenues.
- Newspaper publishing revenues decreased $1.3 million (-2.8%).
  - Advertising revenues decreased 9.7%; circulation revenues decreased 1.0%; digital revenues decreased 12.5%; combined revenues from commercial printing and other sources increased 11.2%.
- Magazine publishing revenues decreased by $3.4 million (-14.0%), primarily as a result of lower advertising revenues, the sale of a publication and lower newsstand revenues.
- Revenues of Quebecor Media Out of Home increased by $0.6 million (16.7%), mainly because of higher digital and traditional advertising revenues.

Adjusted EBITDA: $27.5 million in the fourth quarter of 2018, a $5.1 million (22.8%) increase.

- Adjusted EBITDA from broadcasting increased by $0.3 million (1.9%), mainly because of reductions in some operating expenses, including content costs, partially offset by the impact of the revenue decrease.
- Adjusted EBITDA from film production and audiovisual services increased by $1.1 million (25.6%), essentially because of the impact of the revenue increase.
- Adjusted EBITDA from newspaper publishing increased by $0.9 million, due primarily to the favourable impact of operating cost reductions, reflecting in part the impact of restructuring initiatives and including reductions in labour, administration and promotion costs, which outweighed the effect of the revenue decrease and the increased spending on digital activities.
- Adjusted EBITDA from magazine publishing increased by $0.6 million (24.0%), mainly because of the impact of the reduction in operating expenses, reflecting in part the impact of restructuring initiatives and lower subscription expenses, partially offset by the impact of the revenue decrease.
- There was a $0.8 million favourable variance in the adjusted EBITDA of Quebecor Media Out of Home, due primarily to the favourable impact of the revenue increase and decreases in some operating expenses, including advertising expenses.
- There was a $1.5 million favourable variance related to rebilling of common selling and digital service charges.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 86.1% in the fourth quarter of 2018 compared with 88.8% in the same period of 2017, mainly because of the impact of the reduction in operating expenses.

Sports and Entertainment

Revenues: $53.5 million in the fourth quarter of 2018, a $3.2 million (6.4%) increase.

- Revenues from sports and concerts decreased by $0.2 million (-1.7%), mainly because of lower revenues from sporting events.
- Book distribution and publishing revenues increased by $1.4 million (5.7%), primarily as a result of higher revenues from educational publishing and general literature, as well as higher distribution revenues, including bookstore distribution.
- Music distribution and production revenues increased by $2.0 million (14.2%), primarily as a result of higher concert production revenues.

Adjusted EBITDA: $1.9 million in the fourth quarter of 2018, a $0.4 million (-17.4%) decrease.

- Adjusted EBITDA from sports and concerts decreased by $0.8 million, mainly because of the impact of increases in some operating expenses, including concert costs, and the impact of the revenue decrease.
- Adjusted EBITDA from book distribution and publishing increased by $1.7 million, due primarily to the impact of the revenue increase and lower selling expenses.
- There was a $1.3 million unfavourable variance in adjusted EBITDA from music production, due primarily to increased operating expenses, including the charge for bad debts and promotion costs, partially offset by the impact of the revenue increase.

2017/2016 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.13 billion, a $68.0 million (1.7%) increase.

- Revenues increased in Telecommunications ($95.5 million or 3.0% of segment revenues).
- Revenues decreased in Media ($19.3 million or -2.4%) and in Sports and Entertainment ($3.7 million or -2.0%).

Adjusted EBITDA: $1.62 billion, a $61.6 million (4.0%) increase.

- Adjusted EBITDA increased in Telecommunications ($46.9 million or 3.1% of segment adjusted EBITDA), Media ($15.4 million or 28.6%), and Sports and Entertainment ($3.9 million).
- There was an unfavourable variance at Head Office ($4.6 million), mainly because of higher philanthropic and IT costs.
- The change in the fair value of Quebecor Media stock options resulted in a $0.9 million favourable variance in the stock-based compensation charge in 2017 compared with 2016. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.2 million favourable variance in the Corporation's stock-based compensation charge in 2017.

Net income attributable to shareholders: $390.5 million ($1.61 per basic share) in 2017, compared with $233.9 million ($0.96 per basic share) in 2016, an increase of $156.6 million ($0.65 per basic share).

- The favourable variance was due primarily to:
  - $330.9 million gain on the sale of spectrum licences recognized in 2017, including $165.5 million without any tax consequences;
  - $61.6 million increase in adjusted EBITDA;
  - $19.7 million decrease in financial expenses;
  - $17.2 million favourable variance in income from discontinued operations;
  - $10.8 million favourable variance in the charge for restructuring of operations, litigation and other items.

  Partially offset by:
  - $129.5 million unfavourable variance in the loss on valuation and translation of financial instruments, including $129.2 million without any tax consequences;
  - $75.0 million unfavourable variance in non-controlling interest;
  - $56.8 million increase in the depreciation and amortization charge;
  - $11.1 million increase in the income tax expense;
  - $8.3 million unfavourable variance in the loss on debt refinancing.

Adjusted income from continuing operating activities: $347.9 million ($1.44 per basic share) in 2017, compared with $343.9 million ($1.41 per basic share) in 2016, an increase of $4.0 million ($0.03 per basic share).

Depreciation and amortization charge: $707.9 million, a $56.8 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems, as well as the impact of revising the depreciation period for some telecommunications network components.

Financial expenses: $307.4 million, a $19.7 million decrease caused mainly by lower average indebtedness, the impact of lower interest rates on long-term debt due to debt refinancing at lower rates, a favourable variance in gains and losses on foreign currency translation of short-term monetary items, and higher interest revenues generated by increased liquidity.

Loss on valuation and translation of financial instruments: $199.8 million in 2017 compared with $70.3 million in 2016. The $129.5 million unfavourable variance was essentially due to a $129.2 million unfavourable variance, without any tax consequences, in losses and gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $17.2 million in 2017, compared with $28.0 million in 2016, a $10.8 million favourable variance.

- A $17.2 million net charge was recognized in 2017 in connection with cost-reduction initiatives in the Corporation's various segments, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes ($28.0 million in 2016).

Gain on sale of spectrum licences: $330.9 million in 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its AWS-1 spectrum licence in the Toronto metropolitan area to Rogers for a cash consideration of $184.2 million, pursuant to the transfer option held since 2013 by Videotron. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.
- It should be noted that these transactions led to recognition in the second quarter of 2017 of tax benefits in the amount of $31.8 million arising from prior year tax losses, thereby reducing the Corporation's tax expense.

Charge for impairment of goodwill and intangible assets: $43.8 million in 2017, compared with $40.9 million in 2016, a $2.9 million unfavourable variance.

- In 2017 and 2016, Quebecor Media performed impairment tests on its Magazines CGU in view of the downtrend in industry revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, was recorded in 2017 ($40.1 million without any tax consequences in 2016). As well, a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, was recognized in 2017 (nil in 2016).
- In 2017, an additional $1.4 million charge for impairment of intangible assets was recognized in the Corporation's other segments ($0.8 million in 2016).

Loss on debt refinancing: $15.6 million in 2017, compared with $7.3 million in 2016, an $8.3 million unfavourable variance.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $5.2 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- In accordance with a notice issued on December 2, 2016, Videotron redeemed, on January 5, 2017, $175.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $7.3 million loss was recorded in the consolidated statement of income in 2016 in connection with this redemption.

Income tax expense: $145.9 million (effective tax rate of 21.6%) in 2017, compared with $134.8 million (effective tax rate of 25.0%) in 2016, an $11.1 million unfavourable variance. The effective tax rate is calculated considering only taxable and deductible items.

- The effective tax rates and the favourable variance in those rates mainly reflect recognition in 2017 of tax benefits arising from prior year tax losses, whereas in 2016 the deferred tax balances recorded on the balance sheet were reduced in consideration of the lowering of future tax rates in Québec.
- The impact on the income tax expense of the increase in taxable income for tax purposes in 2017 was partially offset by the impact of the decrease in effective tax rates.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under “Trend Information” above, the risk analysis in the “Risks and uncertainties” section below, and the discussion of the Corporation’s financial risks under “Financial Instruments and Financial Risk” below.

Operating activities

Cash flows provided by continuing operating activities: $1.39 billion in 2018 compared with $1.16 billion in 2017.

- The $225.8 million increase was primarily due to:
  - $280.6 million favourable change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax receivable and payable, provisions, and accounts payable and accrued charges;
  - $119.2 million increase in the Telecommunications segment’s adjusted EBITDA.

  Partially offset by:
  - $146.1 million increase in current income taxes in 2018 compared with 2017, mainly because of the recognition of tax benefits in 2017;
  - $16.1 million increase in the cash interest expense;
  - $14.0 million unfavourable variance in the Media segment’s adjusted EBITDA.

The Telecommunications segment’s increased profitability, the favourable variance in income tax receivable and payable, and favourable variances in provisions and in accounts payable and accrued charges in the Telecommunications segment had a favourable impact on cash flows provided by continuing operating activities in 2018 compared with 2017, while the increase in the interest expense as a result of debt financing of a portion of the repurchase of Quebecor Media shares held by CDP Capital and the decrease in the Media segment’s profitability had an unfavourable impact.

Working capital: Negative $288.4 billion at December 31, 2018 compared with negative $159.3 million at December 31, 2017. The $129.1 million unfavourable variance was due primarily to the use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital in 2018, as well as the increase in net income tax payable and in accounts payable and accrued charges, partially offset by the impact of the redemption in 2018 of convertible debentures entered under current liabilities at December 31, 2017, of which $362.5 million in par value was settled in shares of the Corporation.

Investing activities

Additions to property, plant and equipment: $553.0 million in 2018 compared with $602.1 million in 2017. The $49.1 million decrease was due to lower spending on wired and wireless networks in the Telecommunications segment.

Additions to intangible assets: $197.4 million in 2018 compared with $141.9 million in 2017. The $55.5 million increase was due primarily to spending on the IPTV project and IT systems in the Telecommunications segment.

Proceeds from disposal of assets: $9.4 million in 2018, compared with $620.7 million in 2017, a $611.3 million decrease.

- In 2017, Videotron sold its AWS-1 spectrum licence in the Metropolitan Toronto area to Rogers for a cash consideration of $184.2 million, and its seven 2500 MHz and 700 MHz wireless spectrum licences outside Québec to Shaw for a cash consideration of $430.0 million.

Business acquisitions: $10.3 million in 2018 compared with $5.8 million in 2017.

- In 2018, business acquisitions consisted mainly of the acquisition of LC Media, Audio Zone and the assets of Mobilimage by the Media segment.
- In 2017, business acquisitions consisted mainly of payment of the $5.6 million balance payable on the acquisition of Fibrenoire by the Telecommunications segment.

Acquisition of non-controlling interest: $1.54 billion in 2018 compared with $43.9 million in 2017.

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. Available cash and drawings on Videotron's revolving credit facility were used to finance the transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of $150.0 million aggregate principal amount of convertible debentures of Quebecor to CDP Capital.
- On July 6, 2017, Quebecor Media repurchased for cancellation 541,899 of its Common Shares held by CDP Capital for an aggregate purchase price of $37.7 million, paid in cash, and paid off a security held by CDP Capital for $6.2 million.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $679.3 million in 2018 compared with $455.0 million in 2017 (Table 8). The $224.3 million increase was primarily due to:

- $227.8 million increase in cash flows provided by continuing operating activities;
- $49.1 million decrease in additions to property, plant and equipment.

Partially offset by:

- $55.5 million increase in additions to intangible assets.

Table 8
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	With adoption of IFRS 15[1] Years ended December 31		Without IFRS 15[2] Years ended December 31	
	2018	2017	**2018**	2017
Cash flows from segment operations (negative cash flows from segment operations)				
Telecommunications	**$ 975.8**	$ 860.2	**$ 953.3**	$ 825.4
Media	**25.5**	37.3	**25.5**	37.3
Sports and Entertainment	**–**	0.6	**–**	0.6
Head Office	**(9.6)**	(16.1)	**(9.6)**	(16.1)
	991.7	882.0	**969.2**	847.2
Cash interest expense	**(273.7)**	(274.9)	**(273.7)**	(274.9)
Cash portion related to restructuring of operations, litigation and other items	**(14.9)**	(17.2)	**(14.9)**	(17.2)
Current income taxes	**(154.9)**	(8.8)	**(154.9)**	(8.8)
Other	**(5.6)**	4.0	**(5.6)**	4.0
Net change in operating assets and liabilities	**136.7**	(130.1)	**136.7**	(130.1)
Impact of IFRS 15	**–**	–	**22.5**	34.8
Free cash flows from continuing operating activities of Quebecor Media	**$ 679.3**	$ 455.0	**$ 679.3**	$ 455.0

1 Non-IFRS measures presented in these columns are calculated based on the new IFRS 15 rules adopted by the Corporation on a retroactive basis and described under "Changes in Accounting Policies."

2 Non-IFRS measures presented in these columns are calculated based on the Corporation's former accounting policies with respect to revenue recognition, i.e. without the impact of IFRS 15 adoption.

Table 9
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of Canadian dollars)

		2018		2017
Free cash flows from continuing operating activities of Quebecor Media presented in Table 8	**$**	**679.3**	$	455.0
Quebecor Head Office cash flow items:				
Cash flows from segment operations		**(0.6)**		(2.3)
Cash interest expense		**(42.7)**		(25.4)
Other		**(0.1)**		0.1
Net change in operating assets and liabilities		**10.6**		(3.2)
		(32.8)		(30.8)
Plus additions to property, plant and equipment		**553.0**		602.1
Plus additions to intangible assets		**197.4**		141.9
Minus proceeds from disposal of assets (excluding proceeds from disposal of licences)		**(9.4)**		(6.5)
Cash flows provided by continuing operating activities of Quebecor	**$**	**1,387.5**	$	1,161.7

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): A $915.1 million increase in 2018. A $329.3 million net favourable variance in assets and liabilities related to derivative financial instruments.

- Additions to debt in 2018 essentially consisted of:
  - $738.5 million increase in Videotron's drawings on its revolving bank credit facility;
  - $342.0 million unfavourable impact of exchange rate fluctuations. The consolidated debt increase attributable to this item was offset by an increase in the asset (or decrease in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - $24.3 million increase in the bank indebtedness of Videotron and Quebecor Media.
- Debt reductions in 2018 primarily consisted of:
  - $172.5 million decrease in Quebecor's drawings on its revolving bank credit facility and other facilities;
  - current payments totalling $19.2 million on the term loan and other facilities of Videotron, TVA Group and Quebecor Media.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $887.0 million at December 31, 2018 compared with $557.7 million at December 31, 2017. The $329.3 million net favourable variance was mainly due to:
  - favourable impact of exchange rate fluctuations on the value of derivative financial instruments.

  Partially offset by:
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022. Certain conditions were also amended.
- On November 26, 2018, Quebecor amended its secured revolving credit facility by reducing it from $300.0 million to $50.0 million and extending its term to July 2020, while Videotron amended its secured revolving credit facility by increasing it from $965.0 million to $1.50 billion and extending its term to July 2023. Certain conditions related to those credit facilities were also amended.

- On August 21, 2018, the Corporation issued a notice regarding the redemption on October 12, 2018 of all its outstanding 4.125% convertible debentures maturing on October 15, 2018, in the aggregate principal amount of $362.5 million. In accordance with the terms of the convertible debentures, the Corporation elected to exercise its right to settle the redemption of all the outstanding debentures in shares. Accordingly, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018. In February and May 2018, the Corporation also issued notices regarding the redemption on April 4 and July 24, 2018 of convertible debentures in the aggregate principal amount of $87.5 million. The redemption prices were paid upon redemption of the debentures.
- On June 22, 2018, the Corporation issued new convertible debentures in the aggregate principal amount of $150.0 million. The debentures bear interest at an annual rate of 4.00% and mature in June 2024. The convertible debentures are convertible into Class B Shares of Quebecor in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares of Quebecor corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares of Quebecor corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture. The other terms and conditions of the convertible debentures are substantially consistent with the terms of the convertible debentures issued under the Corporation's trust agreement dated October 11, 2012, as amended.

Financial position

Net available liquidity: $1.03 billion at December 31, 2018 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.05 billion in available unused revolving credit facilities less $23.6 million in bank indebtedness.

Net available liquidity: $45.0 million as at December 31, 2018 for Quebecor at the corporate level, consisting of $45.0 million in available unused revolving credit facilities.

Consolidated debt (long-term debt plus bank indebtedness): $6.45 billion at December 31, 2018, a $915.1 million increase compared with December 31, 2017; a $329.3 million net favourable variance in assets and liabilities related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $4.23 billion debt ($3.27 billion at December 31, 2017); TVA Group's $52.8 million debt ($62.6 million at December 31, 2017); Quebecor Media's $2.12 billion debt ($1.98 billion at December 31, 2017); and Quebecor's $53.2 million debt ($225.7 million at December 31, 2017).

As at December 31, 2018, minimum principal payments on long-term debt in the coming years are as follows:

Table 10
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2019	$	57.9
2020		454.4
2021		1.4
2022		1,135.5
2023		2,401.2
2024 and thereafter		2,411.3
Total	**$**	**6,461.7**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 5.1 years as of December 31, 2018 (5.9 years as of December 31, 2017). After taking into account hedging instruments, at December 31, 2018 the debt consisted of approximately 76.3% fixed-rate debt (84.7% at December 31, 2017) and 23.7% floating-rate debt (15.3% at December 31, 2017).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, dividend payments to shareholders, and dividend payments (or distributions) to non-controlling interest. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At December 31, 2018, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On March 12, 2019, the Board of Directors of Quebecor declared a quarterly dividend of $0.055 per share on Class A Shares and Class B Shares, payable on April 23, 2019 to shareholders of record as of the record date of March 29, 2019.

Participation in 600 MHz spectrum auction

In December 2018, Videotron qualified as a bidder in the auction for spectrum licences in the 600 MHz band announced by Innovation, Science and Economic Development (“ISED”) Canada. The auction is scheduled to commence on March 12, 2019.

In December 2018, Videotron contracted new unsecured on-demand credit facilities under which letters of credit were issued and submitted to ISED Canada as a pre-auction deposit, with the application to bid. The submission of these letters of credit did not have the effect of reducing the Corporation’s net available liquidity. In accordance with the rules of confidentially established by ISED Canada respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of these letters of credit. Videotron may withdraw the letters of credit at any time prior to the opening of the auction.

The full licensing framework for spectrum in the 600 MHz band published by ISED Canada, including the method used to determine the amount of the pre-auction deposit, is available on the ISED Canada website at <www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf11331.html>

Analysis of consolidated balance sheet at December 31, 2018

Table 11
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2018 and 2017
(in millions of Canadian dollars)

	Dec. 31, 2018	Dec. 31, 2017	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 21.0**	$ 864.9	$ (843.9)	Use of cash and cash equivalents for the repurchase of Quebecor Media Common Shares held by CDP Capital
Net assets held for resale[1]	**88.4**	–	88.4	Net assets of 4Degrees Colocation held for resale
Property, plant and equipment	**3,451.8**	3,594.6	(142.8)	Depreciation for the period and reclassification of net assets held for resale, less additions to property, plant and equipment on an accrual basis
Intangible assets	**1,135.3**	983.1	152.2	Investment in the IPTV project and IT systems by the Telecommunications segment on an accrual basis, less amortization for the period and the impairment charge
Derivative financial instruments[2]	**887.0**	557.7	329.3	See “Financing activities”
Liabilities				
Accounts payable and accrued charges	**832.0**	738.7	93.3	Impact of current variances in activity
Income taxes[3]	**114.4**	(16.0)	130.4	Current income taxes for the period less current disbursments
Long-term debt, including short-term portion and bank indebtedness	**6,452.5**	5,537.4	915.1	See “Financing activities”
Convertible debentures and embedded derivatives related to convertible debentures[4]	**155.2**	892.2	(737.0)	Redemption of convertible debentures in the principal amount of $450.0 million, partially offset by the issuance of debentures in the amount of $150.0 million (see “Financing activities”)

1 Current assets less current liabilities.
2 Long-term assets less long-term liabilities.
3 Current liabilities less current assets.
4 Current liabilities plus long-term liabilities.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2018, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; principal repayment and interest on convertible debentures; operating lease arrangements; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 12 below shows a summary of these contractual obligations.

Table 12
Contractual obligations of Quebecor as of December 31, 2018
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,461.7**	$ 57.9	$ 455.8	$ 3,536.7	$ 2,411.3
Convertible debentures[2]	**150.0**	–	–	–	150.0
Interest payments[3]	**1,546.9**	260.8	595.7	443.4	247.0
Operating leases	**192.9**	44.5	48.3	26.4	73.7
Additions to property, plant and equipment and other commitments	**1,351.5**	247.4	370.7	277.7	455.7
Derivative financial instruments[4]	**(892.7)**	0.2	(105.1)	(618.1)	(169.7)
Total contractual obligations	**$ 8,810.3**	**$ 610.8**	**$ 1,365.4**	**$ 3,666.1**	**$ 3,168.0**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 Based on the market value at December 31, 2018 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2018.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 12

Videotron leases sites for its wireless network under operating lease arrangements. It also has 20-year service sharing and exchange agreements with Rogers to build out and operate an LTE network in Québec and the Ottawa area, as well as an agreement with Comcast Corporation to develop an innovative IPTV solution. As at December 31, 2018, the balance of those commitments stood at $608.9 million.

In 2011, Quebecor Media announced an agreement with Québec City for the leasing and management of the Videotron Centre. As at December 31, 2018, the balance of those commitments stood at $70.5 million.

In 2012 and 2014, Quebecor Media signed 20-year agreements to install, maintain and advertise on bus shelters belonging to the Montréal and Laval transit commissions. In 2015 and 2018, similar 10-year agreements were signed with the Lévis, Sherbrooke and Longueuil transit commissions. As at December 31, 2018, the balance of those commitments stood at $98.3 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2018, the balance of those commitments stood at $589.3 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans are $33.4 million for 2019, based on the most recently filed actuarial report (contributions of $36.6 million were made in 2018).

Related party transactions

In 2018, the Corporation made sales to affiliated corporations in the amount of $2.8 million ($2.8 million in 2017).

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Operating leases

The Corporation has guaranteed a portion of the residual value of certain assets under operating leases for the benefit of the lessor. Should the Corporation terminate these leases prior to term (or at the end of the lease terms) and should the fair value of the assets be less than the guaranteed residual value, then the Corporation must, under certain conditions, compensate the lessor for a portion of the shortfall. In addition, the Corporation has provided guarantees to the lessor of certain premises leases with expiry dates through 2020. Should the lessee default under the agreement, the Corporation must, under certain conditions, compensate the lessor. As of December 31, 2018, the maximum exposure with respect to these guarantees was $19.3 million and no liability has been recorded in the consolidated balance sheet.

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheet.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these indemnifications.

Other

One of the Corporation’s subsidiaries, has, as a franchiser, provided guarantees should franchisees, in their retail activities, default on certain purchase agreements. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheet with respect to these guarantees.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 below presents information on the Corporation’s capital stock as at February 15, 2019. In addition, 1,962,892 share options were outstanding as of February 15, 2019.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	February 15, 2019	
	Issued and outstanding	**Book value**
Class A Shares	**77,247,844**	**$ 8.6**
Class B Shares	**178,489,153**	**$ 1,049.5**

On August 8, 2018, the Board of Directors of Quebecor authorized the renewal of its normal course issuer bid for a maximum of 1,000,000 Class A Shares, representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 7,800,000 Class B Shares, representing approximately 5.0% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange ("TSX") or other alternative trading systems. All repurchased shares will be cancelled.

On August 9, 2018, the Corporation announced that it had entered into an automatic securities purchase plan ("the plan"), as of August 10, 2018, with a designated broker under its normal course issuer bid, whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods. Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases are made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases are made at the discretion of the Corporation's management. The plan received prior approval from the TSX. It came into effect on August 15, 2018 and terminates on the same date as the normal course issuer bid.

In 2018, the Corporation purchased and cancelled 11,390,300 Class B Shares for a total cash consideration of $291.7 million (5,590,700 Class B Shares for a total cash consideration of $127.5 million in 2017). The $257.6 million excess of the purchase price over the carrying value of the repurchased Class B Shares was recorded in reduction of retained earnings ($117.0 million in 2017).

In 2018, 100,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $1.3 million (100,000 Class B Shares for a cash consideration of $1.1 million in 2017). Following this transaction, the contributed surplus was increased by $1.2 million ($1.2 million in 2017) and the stock option plan liability was reduced by the same amount.

On August 21, 2018, the Corporation issued a notice regarding the redemption on October 12, 2018 of all its outstanding 4.125% convertible debentures maturing on October 15, 2018, in the aggregate principal amount of $362.5 million. In accordance with the terms of the convertible debentures, the Corporation elected to exercise its right to settle the redemption of all the outstanding debentures in shares. Accordingly, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018.

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers (or "ILECs"). The primary one in Quebecor Media's market holds a regional licence to provide terrestrial broadcasting distribution in Montréal and in several other communities in Québec. That primary ILEC has rolled out its own "IPTV service throughout the country and, more specifically, in Montréal (including a portion of the greater Montréal area), Québec City, and in other locations in Québec. It has also secured licences to launch video distribution services using video digital subscriber line (or "VDSL") technology. Quebecor Media's cable business competes against providers of direct broadcast satellite (or "DBS", which in Canada are also referred to as "DTH" for "direct-to-home" satellite providers), multichannel multipoint distribution systems, and satellite master antenna television systems. The direct access to some broadcasters' websites that provide streaming in high definition ("HD") of video-on-demand content is also available for some of the channels that Quebecor Media offers in its television programming. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

Quebecor Media also faces competition from illegal providers of cable television services and illegal access to non-Canadian DBS (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy). Competitors in the video business also include emerging content delivery platforms. Furthermore, OTT content providers, such as Netflix, Apple TV and Amazon Prime Video, as well as Canadian services such as Crave TV, compete for viewership and for a share of the monthly entertainment spending currently allocated to traditional cable television and cable service video-on-demand offerings.

Unlike Quebecor Media, OTT service providers are not subject to CRTC regulations and do not have to contribute financially to the Canadian traditional television business model or Internet infrastructure. Furthermore, foreign providers with no Canadian business place are not required to charge federal and provincial sales tax. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition, and results of operations. On September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years. As part of this arrangement, the federal government has decided not to impose the Goods and Services Tax ("GST") on

Netflix's services. Since Quebecor Media's own clients must pay GST when they buy Quebecor Media's services, this decision could place Quebecor Media at a competitive disadvantage.

In its Internet access business, Quebecor Media competes against other ISPs offering residential and commercial Internet access services as well as WiMAX and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. The CRTC also requires cable and ILEC network providers, including Quebecor Media, to offer wholesale access to their high-speed Internet systems to third-party ISP competitors for them to provide retail Internet access services. Those third-party ISP competitors may also provide telephony, television services, IP video services and networking applications. Their market share is significant and growing especially in Québec and Ontario, the two regions in Canada where these third-party ISP competitors have been particularly active and aggressively pricing their services. Certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with Quebecor Media in some of its local markets.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators, and other providers of telephony, television services, voice over Internet Protocol (or "VoIP") and Internet communications, including competitors that are not facility-based and therefore have much lower infrastructure costs. In addition, Internet Protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operation.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current or developing adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides, or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and for many years have been operating lower-cost mobile telephony brands in order to acquire additional market share. In the near future, depending on new regulations, Quebecor Media could see the emergence of non-facility-based operators in the wireless space. Also, Quebecor Media may not be able to compete successfully in the future against existing or potential competitors, and increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Due to ongoing technological developments, the distinction between traditional platforms (broadcasting, Internet and telephony) is fading rapidly. For instance, emerging Go Platforms such as HBO Go, allow customers to view their traditional television content directly on their mobile devices or computers via Internet connection (although authentication as a broadcasting distribution undertaking's subscriber is still required in Canada). Also, the Internet, through wireline or cable and mobile devices, is an important broadcasting and distribution platform. In addition, mobile operators, with the development of their LTE networks, offer wireless and fixed wireless Internet services. In addition, Quebecor Media's VoIP telephony service also competes with Internet-based solutions.

Moreover, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television, IPTV, Internet, residential and mobile telephony services). Should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing one subscriber for each of its services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operation.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operation.

Significant and rapid technological changes

In relation to the Corporation's Media segment, the media industry is experiencing rapid and significant technological changes, which have resulted in alternative means of program and content transmission. The continued growth of the Internet has presented alternative content distribution options that compete with traditional media. Consumers are spending an increasing amount of time on the Internet and on mobile devices and are increasingly viewing content on a time-delayed or on-demand basis from the Internet, on their televisions and on portable devices. These alternative technologies may increase audience fragmentation, reduce the Media segment business ratings, readership or circulation levels, or have an adverse effect on advertising revenues from local and national advertisers. Furthermore, in Quebecor Media's video distribution markets, industry regulators have authorized DTH, microwave services and VDSL services, and may authorize other alternative methods of transmitting television and other content with improved speed and quality.

The continuous technological improvements to the Internet, combined with higher download speeds and cost reductions for customers, may divert a portion of Quebecor Media's Media segment business' existing television subscriber base from its services to new video-over-the-Internet model. While having a positive impact on the demand for its Internet services, video-over-the-Internet could adversely impact the demand for its other services.

Quebecor Media may not be able to successfully compete with existing or newly developed alternative technologies, such as advanced LTE technologies leading to and complementing fifth-generation (5G), 5G telecommunication technologies, Software-defined networking ("SDN") and Network function virtualization ("NFV") technologies, or it may be required to acquire, develop or integrate new technologies. The cost of the acquisition, development or implementation of new technologies could be significant and its ability to fund such implementations may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition, and results of operations.

5G technology is evolving rapidly and the world's first standards-based commercial launches are expected in 2019, while smartphones are generally expected to support 5G technology in late 2019 or 2020. It is expected that early 5G ecosystems will operate on three distinct spectrum bands: 3.5 GHz, millimetre wave (mmWave) spectrum (28 GHz and 37–40 GHz) and 600 MHz. Globally, 3.5 GHz spectrum is becoming the primary band for 5G mobile coverage. In Canada, 3.5 GHz was auctioned for fixed wireless access ("FWA") between 2004 and 2009; it is currently not licensed for mobile applications and is largely held by Inukshuk (a joint venture owned by Bell Canada and Rogers) in most urban markets. ISED Canada is expected to claw back a portion of Inukshuk's 3.5 GHz spectrum holdings and re-auction it for flexible use (permitting the deployment for mobile applications, such as 5G). Depending on the amount of 3.5 GHz spectrum clawed back and re-auctioned, there is a risk that Quebecor Media may end up with less 3.5 GHz spectrum and would not be able to compete equally on network speeds and 5G capacity. Meanwhile, if ISED Canada converts 3.5 GHz spectrum to mobile use before the 3.5 GHz auction concludes, current holders would have access to 5G spectrum before Quebecor Media and could gain a time to market advantage. Also, with regards to the 600 MHz spectrum auction that opens in March 2019, there is a risk that we might not be able to purchase the spectrum required to compete equally on network speeds and 5G capacity. Any such difficulty or inability to compete could have a material adverse effect on Quebecor Media's business, reputation, prospects, financial condition, and results of operations.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world (including Canada, the United States and Europe), and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if Quebecor Media is unable to renew, or substitute for, those roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, financial condition and results of operations could be adversely affected.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, it cannot be assured that it will continue to enjoy a good reputation, nor can it be assured that events that are beyond its control will not cause its reputation to be negatively impacted. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Higher handset subsidies and increase in BYOD customers

Quebecor Media's mobile telephony business model is based substantially on subsidizing the cost of subscriber handsets, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract. Quebecor Media also commits to a minimum subsidy per unit with the supplier of certain smartphone devices. If Quebecor Media is unable to recover the costs of the subsidies over the term of the customer contract, this could negatively impact its business, prospects, revenues, financial condition, and results of operations.

Also, with the introduction of the CRTC's Wireless Code in 2013 and its revision in 2017, limiting wireless term contracts to two years and eliminating device locking, the number of BYOD customers with no-term contracts has increased. Such customers are under no contractual obligation to remain with Quebecor Media, which could have a material adverse effect on its churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its network and infrastructure to support growth in its customer base and its demands for increased bandwidth capacity and other services. In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its network and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short term, mid term and long term in order to maintain, expand and enhance its networks, systems and services, including expenditures relating to advancements in Internet access, HD, Ultra-high definition ("UHD") television, IoT, IPTV and TV everywhere/every platform requiring IP delivery technology, as well as the introduction of virtual reality, and home automation.

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. The introduction of new technologies and their pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media's existing assets.

The demand for wireless data services has been growing at high rates and it is projected that this demand will further accelerate, driven by increases in the following: levels of broadband penetration; need for personal connectivity and networking; affordability of smartphones and Internet-only devices (e.g., high-usage data devices such as mobile Internet keys, tablets and electronic book readers); multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum, if available and if economically reasonable, in order to address this increased demand. The ability to acquire additional spectrum (if needed) is dependent on the timing and the rules established by ISED Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

The development, maintenance and enhancement of Quebecor Media's mobile network and any new market standards requires capital expenditures to remain competitive and to comply with its obligations under the agreement with its partner governing the joint operation of its LTE network. A geographical expansion, densification or further upgrade of its mobile network may require Quebecor Media to incur significant costs and to make significant capital expenditures.

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to finance any portion of these capital improvement programs, new strategies and services, or other capital expenditure requirements, whether through cash from operations, additional borrowings or other sources. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, or if, for any reason, the agreement with its partner governing the joint operation of its LTE network is terminated or not renewed and Quebecor Media is unable to enter into similar agreements with respect to further upgrades of its mobile network or generate sufficient funds or obtain additional financing to expand and enhance its mobile network it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected. Even if Quebecor Media were able to obtain adequate funding, the period of time required to upgrade its network could have a material adverse effect on its ability to successfully compete in the future. Moreover, additional investments in its business may not translate into incremental revenues, cash flows or profitability.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable network. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate those agreements, it cannot guarantee that they will continue to be available on their respective terms, or on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities enhancing its advanced broadband network, pursuing enhanced content development, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its businesses. Quebecor Media may not be able to implement those strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement those strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. While the centralization of certain business operations and processes has the advantage of standardizing practices, thereby reducing costs and increasing effectiveness, it also represents a risk in itself should a business solution implemented throughout the organization by a centralized office fail to produce the intended results. Quebecor Media may also be required to make capital expenditures or other investments that may affect its ability to implement its business strategies if it is unable to secure additional financing on acceptable terms or to generate sufficient funds internally to cover those requirements. Any material failure to implement its strategies could have a material adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to those engagements, including the marketing of new revenue sources.

Consumers' trend to abandon cable telephony and television services

The recent trend towards mobile substitution or "cord-cutting" (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada and the various unlimited offers launched by mobile operators. In addition, there is also a consumer trend to abandon and substitute wire and cable television for Internet access services in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony subscriber base to its mobile telephony services or in attracting customers to its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth of traffic volumes on the Internet

Internet users are downloading an increasing amount of data each year and households are connected to the Internet through a combination of several computers, tablets and other mobile devices, leading to simultaneous flows per home. In addition, some content on the Internet, such as videos, is available at a higher bandwidth for which HD, as opposed to standard definition, has become the norm. OTT service providers have recently started streaming UHD content, which uses even more bandwidth than HD services. There has therefore been an increase in data consumption and an intensification of Internet traffic during peak periods, which calls for increased bandwidth capacity to address customer needs.

Equipment costs are under pressure in an effort to counterbalance customer demand for bandwidth. While Quebecor Media can relay some of this pressure on costs to its manufacturers, adopt new technologies that reduce costs or implement other cost-reduction initiatives, Quebecor Media's inability to fully meet its customers' increasing need for bandwidth may result in client losses, price increases or reduced profitability.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement or upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may lead to greater-than-expected operational challenges and costs, expenses, customer loss, and business disruption for Quebecor Media, which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

Advertising revenue is the primary source of revenue for the Corporation's Media segment. Quebecor Media's revenues and operating results in those businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Those economic factors affect the levels of retail and national advertising revenues of the media properties of Quebecor Media. Since a significant portion of Quebecor Media's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in those sectors and in the real estate industry has had and may continue to have an adverse impact on the revenues and results of operations of the Media segment. Advertising consolidation, supported by an international coalition of advertising agencies, is disrupting the demand model and exerting strong downward pricing pressure on our advertising inventories. Continuing or deepening softness in the Canadian or U.S. economy could further adversely affect key national advertising revenues.

Advertising revenues for the Media segment are also driven by readership and circulation levels, as well as by market demographics, price, service, and advertiser results. Readership and circulation levels tend to be based on the content of the newspaper or magazine, service, availability and price. A prolonged decline in readership and circulation levels in Quebecor Media's newspaper and magazine businesses and lack of audience acceptance of its content would have a material effect on the rate and volume of its newspaper and magazine advertising revenues (as rates reflect circulation and readership, among other factors), and could also affect its ability to institute circulation price increases for its print products, all of which could have a material adverse effect on its business, prospects, results of operations, and financial condition.

The newspaper and magazine industry is experiencing structural changes, including the growing availability of free access to content, shifting readership habits, digital transferability, the advent of real-time information and secular changes in the advertising industry, as well as the declining frequency of regular newspaper and magazine buying, particularly among young people, who increasingly rely on non-traditional media as a source for news and information. As a result, competition for advertising spend and circulation revenues comes not only from other newspapers and traditional media, but also from digital media technologies, which have introduced a wide variety of media distribution platforms (including, most significantly, the Internet and distribution over wireless devices and e-readers) for readers and advertisers.

While Quebecor Media continues to pursue initiatives to offer value-added advertising solutions to its advertisers and to slow down the decline of its circulation base, such as investments in the redesign and overhaul of its newspaper and magazine websites and the publication of e-editions of a number of its newspapers and magazines, it may not be successful in converting its advertising revenues or in transferring its audience to its new digital products. The ability of the Media segment to succeed over the long-term depends on various factors, including its ability to attract advertisers and readers (including subscribers) to its online sites. Quebecor Media's new initiatives, developed to generate additional revenues from its websites (such as digital platform advertising), may not be accepted by users and consequently may negatively affect online traffic. In addition, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of those initiatives through increased circulation, advertising and digital revenues.

In broadcasting, the proliferation of television channels, progress in mobile and wireless technology, the migration of television audiences to the Internet, including social networks, and the viewing public's increased control over the manner, content and timing of their media consumption through personal video recording devices, have all contributed to the fragmentation of the television viewing audience and to a more challenging advertising sales environment. For example, the increased availability of personal video recording devices and video programming on the Internet, as well as the increased access to various media through mobile devices, may each have the potential to reduce the viewing of its content through traditional distribution outlets. Some of these new technologies also give consumers greater flexibility to watch programming on a time-delayed or on-demand basis, or to fast-forward or skip advertisements within its programming, which may adversely impact the advertising revenues it receives. Delayed viewing and advertisement skipping have the potential to become more common as the penetration of personal video recording devices increases and content becomes increasingly available via Internet sources. If the broadcasting market continues to fragment, Quebecor Media's audience share levels and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Distribution of a wide range of television programming

The financial performance of its cable and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing, conveniently scheduled television programming at reasonable rates on its platforms. Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, those suppliers have become vertically integrated and are now more limited in number. The quality and amount of television programming offered by Quebecor Media affect the attractiveness of its services to customers and, accordingly, the rates Quebecor Media can charge for such services. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates, or its inability to pass-through rate increases to its customers could have a material adverse effect on its business, prospects, results of operations, and financial condition.

In addition, Quebecor Media's ability to attract and retain cable customers depends, to a certain extent, on its capacity to offer quality content, HD and UHD programming, an appealing variety of programming choices and packages, as well as multiplatform distribution and on-demand content at competitive prices. If the number of specialty channels being offered does not increase at the level and pace comparable to its competitors, if the content offered on such channels does not receive audience acceptance, or if it is unable to offer multiplatform availability, HD and UHD programming and on-demand content for capacity reasons, among others, this may have a negative impact on revenues from Quebecor Media's cable operations.

The multiplicity of foreign and deregulated content providers (often global players on the Internet) puts pressure on the viability of Quebecor Media's current business model for television distribution. Substantial capital expenditures on infrastructure and on research and development may be required to remain competitive.

Costs, quality, and variety of television programming

The most significant expenses in television broadcasting are programming and production costs. Increased competition in the television broadcasting industry, developments affecting producers and distributors of programming content, the vertical integration of distributors and broadcasters, introduction from various OTT providers of original and exclusive programming, changes in viewer preferences and other developments could impact both the availability and the costs of programming content, as well as production costs. Future increases or volatility in programming and production costs could adversely affect Quebecor's operating results. Developments in cable, satellite or other forms of distribution could also affect both the availability and the cost of programming and production and increase competition for advertising expenditures. As well, the value of royalties payable pursuant to the *Copyright Act* (Canada) are frequently decided by the Copyright Board of Canada during or even after the applicable period, which can cause retroactive increases in content costs.

Launch of new products and services

Quebecor Media is investing in the launch of new products and services. During the period immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize, or may never materialize.

Loss of key customers

The Corporation's businesses are based primarily on customer satisfaction with reliability, timeliness, quality, and price. In general, Quebecor Media does not have long-term or exclusive service agreements with its customers. Quebecor Media is unable to predict if, or when, its customers will purchase its services. There can be no assurance that the revenues generated from key customers, individually or in the aggregate, will reach or exceed historical levels in any future period, or that it will be able to develop relationships with new customers. Quebecor Media cannot assure that it will continue to maintain favourable relationships with its customers or that they will not be adversely affected by economic conditions.

Single-clustered network

Quebecor Media provides its digital television, Internet access, cable telephony and mobile telephony services through a primary headend and through 12 additional regional headends in a single-clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyberattacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its network until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material effect on its financial condition.

Cybersecurity

The ordinary course of Quebecor Media's telecommunications, media and data-storage businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, as well as personally identifiable information on its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. The secure processing, maintenance and transmission of this information is critical to its operations and business strategy.

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against signal interruption, unauthorized access to, or use of sensitive data, including data on its customers, and to prevent data loss or theft, and although ever-evolving cyberthreats require Quebecor Media to continually evaluate and adapt its systems, infrastructure, networks and processes, Quebecor Media cannot assure that its, systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. If Quebecor Media is subject to a significant cyberattack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

In addition, the preventive actions Quebecor Media takes to reduce the risks associated with cyberattacks, including protection of its information assets, as well as efforts to improve the overall governance over information security and the controls within its IT systems, may be insufficient to repel or mitigate the effects of a major cyberattack in the future.

The costs associated with a major cyberattack could include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. As part of Quebecor Media's risk mitigation, contractual risk transfer with its clients and suppliers is worded to limit its liability and Quebecor Media purchases cyber liability insurance to cover the residual liability as per standard business practices. However, Quebecor Media's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the insurance coverage it maintains.

Protection of personal data

Quebecor Media stores and processes increasingly large amounts of personally identifiable information on its clients, employees, and/or business partners. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in, and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect the personally identifiable information on its clients, employees and business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories providing geopolitical risk. An inability to maintain and enhance its existing IT systems, or to obtain new systems to accommodate additional customer growth or support new products and services, could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, and manage operating expenses, all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

Products and services supplied to Quebecor Media by third-party suppliers may contain latent security issues, including but not limited to software security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues could adversely impact its results of operations and financial condition.

Malicious and abusive Internet practices

Quebecor Media's cable data, mobile data and fibre-optic connectivity business customers utilize its network to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms, and other destructive or disruptive software. Such activities could have adverse consequences on its network and its customers, including deterioration of service, excessive call volumes to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its network. Any significant loss of cable data, mobile data or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Protection from piracy

In its cable television, Internet access, OTT and telephony business, Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its network, digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its network, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware, licenced technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include set-top boxes, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, licenced technological platforms, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a single or limited number of suppliers and Quebecor Media therefore faces the risks of supplier disruption, including those due to geopolitical events, business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards, or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services and other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with content providers, comply with their technological requirements, or find alternative sources of equivalent content, its Media operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

Quebecor Media relies on its intellectual property, such as patents, copyrights, trademarks and trade secrets, as well as licences and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. Quebecor Media may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if Quebecor Media is unable to obtain or continue to obtain licences from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of Quebecor Media's intellectual property rights more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to Quebecor Media's. Also, Quebecor Media may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. Quebecor Media cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes and other labour protests

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund those pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes and cable modems, certain mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2018, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2018, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $887.0 million on a consolidated basis.

Some of its suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changed or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Ethical business conduct

Any failure or perceived failure to adhere to Quebecor's policies, the law or ethical business practices could have a significant effect on its reputation and brands and could therefore negatively impact its financial performance. Quebecor's framework for managing ethical business conduct includes the adoption of a Code of Ethics, which its directors and employees are required to acknowledge and agree to on a regular basis, and, as part of an independent audit and security function, maintain a whistle-blowing hotline. There can be no assurance that these measures will be effective enough to prevent violations or perceived violations of law or ethical business practices.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause a diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel, and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Quebecor Media's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and may contribute to isolating Quebecor Media from its competitors, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licences. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Although the federal government eliminated the foreign ownership restrictions on telecommunications companies with less than 10% of total Canadian telecommunications market revenues, there are significant restrictions on the ability of non-Canadian entities to own or control broadcasting licences and telecommunications carriers in Canada. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licences, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. For instance, the CRTC introduced some form of rate regulation following its commonly referred to "Lets talk TV" public consultations on television broadcasting and distribution. Consequently, Quebecor Media must offer a reduced basic service at $25 since March 1, 2016 and offer all specialty services "à la carte" since December 1, 2016. Moreover, the CRTC adopted a Wireless Code and a Television Service Provider Code which regulate numerous aspects of the provision of retail wireless services and retail television services, and is now considering the adoption of an Internet Code to regulate numerous aspects of the provision of retail Internet services. Finally, the CRTC initiated a proceeding in February 2019 to review its regulatory framework related to the provision of wireless services. This review could result in the introduction of mandatory resale into the wireless marketplace, to the detriment of facilities-based wireless competitors. Quebecor Media's wireless and cable operations are also subject to technical requirements, licence conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

In addition, laws relating to communications, data protection, e-commerce, direct marketing, and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes to the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions, may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of licence, the issuance of new licences, including additional spectrum licences, to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply. Notably, in June 2018, the Government of Canada issued terms of reference for a comprehensive review of the *Broadcasting Act*, the *Telecommunications Act* and, as required, the *Radiocommunication Act*. The review is being conducted by a panel of external experts, which is expected to issue its final report and recommendations in

January 2020. It is difficult to predict in what form laws and regulations will be adopted or how they will be construed by the relevant courts or the extent to which any changes might adversely affect Quebecor Media.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes to the policies or rules of application in Canada or in any of its provinces in connection with government incentive programs, including any change in the Québec or federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various federal government agencies. If programs fail to so qualify, the Corporation would not be able to use the programs to meet its Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

To ensure that the Corporation maintains minimum levels of Canadian ownership under the *Broadcasting Act* and other legislation under which it derives the benefit of tax credits and industry incentives, it has placed constraints on the issuance and transfer of shares of certain of its subsidiaries.

In addition, the Canadian and provincial governments currently provide grants and incentives to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation’s Film Production & Audiovisual Services Business, as well as content producers for its television broadcasting and production operations, finance a portion of their production budgets through Canadian government incentive programs, including federal and provincial tax credits. There can be no assurance that the government grants and incentive programs presently being offered to participants in the film and television production industry will continue at their present levels or at all. If such grants or incentives are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced and, as a result, the Corporation’s results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions around the world, including by many states in the United States. Some producers may select locations other than Québec to take advantage of tax credit programs that they conclude to be more, or as attractive as those Québec offers. Other factors such as director or star preference may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation’s business, results of operations and financial condition.

Licence renewals

Videotron’s AWS-1 licences were issued in December 2008 for a 10-year term. These licences were renewed in December 2018 for a 20-year term. A public consultation process is expected to be initiated shortly regarding the licence fees to be paid during the renewal term.

Videotron’s other spectrum licences, including in the AWS-3, 700 MHz and 2500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of those respective terms, applications may be made for new licences for a subsequent term through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licences, including the terms and conditions of the new licences and whether licence fees should apply for a subsequent licence term, are expected to be determined by ISED Canada following public consultations.

If, at the end of their respective term, the licences are not renewed on acceptable terms, or at all, Quebecor Media’s ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Provision of third-party ISPs with access to cable systems

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide third-party ISPs with access to their cable systems at mandated cost-based rates. Several third-party ISPs are interconnected to Quebecor Media’s cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it accords to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Most significantly, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will involve third-party ISPs provisioning their own regional transport services. They will also include, for the first time, mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. A tariff proceeding is under way to set the rates for these new disaggregated wholesale services. In parallel, on October 6, 2016, the CRTC ordered a significant interim reduction to the tariff rates for the existing aggregated wholesale services. A second tariff proceeding is under way to set revised final rates for these services while work moves forward on implementing the disaggregated services. Rulings in both tariff proceedings are expected in the first half of 2019. As a result of these rulings, Quebecor Media may experience increased competition for retail cable Internet and telephony customers. In addition, because its third-party Internet access rates are regulated by the CRTC, the Corporation could be limited in its ability to recover its costs associated with providing this access.

Environmental laws and regulations and climate change

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air and water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices, such as the "Ecological recovery and reclamation of electronic products," which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on Quebecor Media's reputation and brands.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditures will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain studios and vacant lots, some of which are located on a former landfill, with the presence of gas-emitting waste. As a result, the operation and ownership of these studios and vacant lots carries an inherent risk of environmental and health and safety liabilities for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs, and other environmental damages (including potential civil actions, compliance or remediation orders, fines and other penalties), and may result in being involved from time to time in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, climate change has the potential, through an increase in extreme weather events, to disrupt Quebecor Media's operations by damaging infrastructure and increasing stress on its telecommunications network.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied meets all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2018, it had $6.45 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- Increase its vulnerability to general adverse economic and industry conditions;
- Require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- Limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- Place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- Limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2018, it had approximately $1.25 billion available for additional borrowings under its existing credit facilities on a consolidated basis and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- Borrow money or sell preferred stock;
- Create liens;
- Pay dividends on or redeem or repurchase stock;
- Make certain types of investments;
- Restrict dividends or other payments;
- Enter into transactions with affiliates;
- Issue guarantees of debt; and
- Sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including its Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- The multiple voting feature of Quebecor's Class A Shares; and
- The election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2018 approximately 73.45% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency: (ii) to achieve a targeted balance of fixed- and floating-rate debts, and

(iii) to lock in the value of certain derivative financial instruments through offsetting transactions. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
As of December 31, 2018
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3056	$ 165.6	US$ 126.8

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Term loan “B”	2013 to 2020	US$ 331.6	Bankers' acceptance 3 months + 2.77%	1.0346
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407
US$ drawing on revolver facility	2018 to 2019	US$ 160.0	Bankers' acceptance 1 month + 0.42%	1.3417

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses on valuation and translation of financial instruments for 2018 and 2017 are summarized in Table 15.

Table 15
Loss on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2018	2017
Loss on embedded derivatives related to convertible debentures	**$ 60.4**	$ 197.4
Other	**0.9**	2.4
	$ 61.3	$ 199.8

A loss on cash flow hedges of $10.1 million was recorded under “Other comprehensive income” in 2018 (gain of $43.7 million in 2017).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation’s valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument’s adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2018 and December 31, 2017 were as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

	December 31, 2018		December 31, 2017	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,461.7)**	**$ (6,444.9)**	$ (5,572.1)	$ (5,883.3)
Convertible debentures[2]	**(150.6)**	**(150.6)**	(888.5)	(888.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**6.7**	**6.7**	(4.5)	(4.5)
Cross-currency interest rate swaps	**880.3**	**880.3**	562.2	562.2

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $840.6 million as of December 31, 2018 ($525.7 million as of December 31, 2017) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $46.4 million as of December 31, 2018 ($32.0 million as of December 31, 2017).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2018, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2018, the provision for expected credit losses represented 2.7% of the gross amount of accounts receivable and contract assets (2.9% as of December 31, 2017), while 11.7% of trade receivable were 90 days past their billing date (11.3% as of December 31, 2017).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2018 and 2017:

		2018		2017
Balance at beginning of year	**$**	**21.1**	$	28.1
Changes in expected credit losses charged to income		**19.6**		21.6
Write off		**(20.2)**		(28.6)
Balance at end of year	**$**	**20.5**	$	21.1

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2018 (5.9 years as of December 31, 2017) (see also "Contractual obligations" above).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, handsets and cable modems and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S--dollar-denominated debt obligations outstanding as of December 31, 2018, and to hedge its exposure on certain purchases of set-top boxes, handsets, cable modems and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on Other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2018 is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of $0.10	$	**1.3**	$	**34.8**
Decrease of $0.10		**(1.3)**		**(34.8)**

A variance of $0.10 in the 2018 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $2.4 million on the value of unhedged purchase of goods and services and $4.4 million on the value of unhedged acquisitions of tangible and intangible assets in 2018.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate; (ii) LIBOR; (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2018, after taking into account the hedging instruments, long-term debt was comprised of 76.3% fixed-rate debt (84.7% in 2017) and 23.7% floating-rate debt (15.3% in 2017).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2018 was $13.2 million.

The estimated sensitivity on income and on Other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures, as of December 31, 2018, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of 100 basis points	$	**(1.9)**	$	**(28.1)**
Decrease of 100 basis points		**1.9**		**28.1**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2018 and 2017 is as follows:

Table 17
Capital structure of Quebecor
(in millions of Canadian dollars)

	2018	2017
Bank indebtedness	**$ 24.3**	$ 0.8
Long-term debt	**6,428.2**	5,536.6
Embedded derivatives related to convertible debentures	**5.2**	442.2
Convertible debentures	**150.0**	450.0
Derivative financial instruments	**(887.0)**	(557.7)
Cash and cash equivalents	**(21.0)**	(864.9)
Net liabilities	**5,699.7**	5,007.0
Equity	**$ 577.9**	$ 1,409.0

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies

There are a number of legal proceedings against the Corporation and its subsidiaries that are pending. In the opinion of the management of the Corporation, the outcome of those proceedings is not expected to have a material adverse effect on Corporation's results or on its financial position.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The entity can identify each party's rights regarding the goods or services to be transferred;
- The entity can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- It is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as "Deferred revenues" in the consolidated balance sheets. Deferred revenues are usually recognized as revenues in the subsequent year.

<u>Telecommunications</u>

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration is generally comprised of an upfront fee for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- Operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and OTT video services are recognized when services are provided;

- Revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- Operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- Cable connection and mobile activation revenues are deferred and recognized as revenues over the period of time the customer is expected to remain a customer of the Corporation or over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- Advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- Revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- Revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Soundstage and equipment leasing revenues are recognized over the rental period; and
- Revenues derived from speciality film and television services are recognized when services are provided.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- Revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- Revenues from renting the arena and from ticket (including season tickets), food concession sales are recognized when the events take place and/or goods are sold, as the case may be;
- Revenues from the rental of suites are recognized ratably over the period of the agreement;
- Revenues from the sale of advertising in the form of venue signage or sponsorships, are recognized ratably over the period of the agreement; and
- Revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU. Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2018 was $2.68 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2018 was $485,3 million.

Useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments:

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. The Corporation also uses offsetting foreign exchange forward contracts in combination with cross-currency interest rate swaps to hedge foreign currency rate exposure on principal payments on foreign-currency-denominated debt. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt; and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.

- The Corporation has established a hedge ratio of one for one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows:

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the hedged items cash flows.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation's hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies:

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in "Other comprehensive income" until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated Other comprehensive income are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "Other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock options awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental costs and direct costs, such as contract acquisition costs consisting primarily in sales commissions and the cost of connecting subscribers to the Corporation's telecommunications network, are deferred as contract costs and amortized over the expected duration of the customer's service or the term of the contract. Amortized contract costs are included in purchases of goods and services on the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Contingent considerations

Contingent considerations arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations are based will be met in the future. The assessment of these contingent potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations recognized and any subsequent changes in fair value recorded in the consolidated statements of income.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Changes in accounting policies

(i) IFRS 9 – *Financial Instruments*

On January 1, 2018, the Corporation adopted the new rules under IFRS 9, *Financial Instruments*, which simplify the measurement and classification of financial assets by reducing the number of measurement categories in IAS 39, *Financial Instruments: Recognition and Measurement*. The new standard also provides for a fair value option in the designation of a non-derivative financial liability and its related classification and measurement, as well as for a new hedge accounting model more closely aligned with risk-management activities undertaken by entities.

Under the new rules, most of financial assets and liabilities of the Corporation are now classified as subsequently measured at amortized cost, except for derivative financial instruments, which are measured at fair value. The Corporation is also using the IFRS 9 expected credit losses method to estimate the provision for expected credit losses on its financial assets.

The adoption of IFRS 9 had no impact on the consolidated financial statements.

(ii) IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Corporation adopted, on a fully retrospective basis, the new rules under IFRS 15, *Revenue from Contracts with Customers*, which specify how and when an entity should recognize revenue, and which also require the entity to provide users of financial statements with more informative disclosures. The standard provides a single, principles-based, five-step model to apply to each contract with a customer.

The adoption of IFRS 15 had significant impacts on the consolidated financial statements, mainly in the Telecommunications segment, with regard to the timing of the recognition of its revenues, the classification of its revenues, as well as the capitalization of costs, such as the costs to obtain a contract and connection costs.

Under IFRS 15, the total consideration from a contract with multiple deliverables is now allocated to all performance obligations in the contract, based on the stand-alone selling price of each obligation, without being limited to a non-contingent amount. The Telecommunications segment provides mobile devices and services under contracts with multiple deliverables and for a fixed period of time. Under IFRS 15, promotional offers related to the sale of mobile devices, previously accounted for as a reduction in related equipment sales on activation, are now considered in the total consideration to be allocated to all performance obligations. Among other impacts, the adoption of IFRS 15 results in an increase in the revenue from the device sale and in a decrease in the mobile service revenue recognized over the contract term. The timing of the recognition of these revenues therefore changes under IFRS 15. However, the total revenue recognized over a contract term relating to all performance obligations within the contract remains the same as under the previous rules. The portion of revenues that is earned without having been invoiced is now presented as contract assets in the consolidated balance sheets, which asset is realized during the term of the contract. The long-term portion of contract assets is included in "Other assets" in the consolidated balance sheets. All other types of revenue have not been impacted by the adoption of IFRS 15.

In addition, under IFRS 15, certain costs to obtain a contract, mainly sales commissions, are capitalized and amortized as operating expenses over the period of time the customer is expected to maintain its service or over the contract term. Previously, such costs were expensed as incurred. Also, the capitalization of connection costs is no longer limited to the related connection revenues as under the previous rules. These capitalized costs are included in “Other assets” as contract costs in the consolidated balance sheets.

The adoption of IFRS 15 had no impact on cash flows from operating, investing and financing activities.

The retroactive adoption of IFRS 15 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	2017	2016
Revenues	$ 22.4	$ 52.5
Purchase of goods and services	(12.4)	(13.2)
Deferred income tax expense	9.2	17.4
Net income and comprehensive income	$ 25.6	$ 48.3
Net income and comprehensive income attributable to:		
Shareholders	$ 20.8	$ 39.2
Non-controlling interests	4.8	9.1
Earnings per share attributable to shareholders	$ 0.09	$ 0.16

Consolidated balance sheets

Increase (decrease)	December 31, 2017	December 31, 2016
Other assets:		
Contract assets[1]	$ 183.6	$ 155.8
Contract costs[2]	92.5	85.4
Deferred income tax liability	73.2	63.9
Retained earnings	165.4	143.7
Non-controlling interests	37.5	33.6

1 The current portion of contract assets is $132.8 million as of December 31, 2017 and $106.6 million as of December 31, 2016.

2 The current portion of contract costs is $55.9 million as of December 31, 2017 and $49.4 million as of December 31, 2016 and is presented under "Other current assets".

Recent accounting pronouncements

(i) IFRS 16 – *Leases* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

On January 1, 2019, the Corporation adopted, on a fully retrospective basis, the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees will be required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease will be initially measured on a present value basis.

The adoption of IFRS 16 has significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges will be expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges are currently recognized as operating expenses as they are incurred, the adoption of IFRS 16 will change the timing of the recognition of these lease charges over the term of each lease. It will also affect the classification of expenses in the consolidated statements of income.

Under IFRS 16, principal payments of the lease liability will be presented as financing activities in the consolidated statements of cash flows, whereas under the current standard, these payments are presented as operating activities.

The retroactive adoption of IFRS 16 will have the following impacts on the 2018 and 2017 consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		**2018**		2017
Purchase of goods and services	**$**	**(47.7)**	$	(45.5)
Depreciation and amortization		**36.4**		35.3
Financial expenses		**8.5**		9.9
Restructuring of operations		**(0.7)**		0.3
Deferred income tax expense		**0.9**		–
Net income and comprehensive income	**$**	**2.6**	$	–
Net income and comprehensive income attributable to:				
Shareholders	**$**	**2.1**	$	0.2
Non-controlling interests		**0.4**		(0.2)
Earnings per share attributable to shareholders	**$**	**0.01**	$	–

Consolidated balance sheets

Increase (decrease)		**December 31, 2018**		December 31, 2017
Right-of-use assets	**$**	**123.7**	$	144.6
Provisions		**(1.4)**		(1.4)
Lease liabilities[1]		**144.4**		167.9
Other liabilities		**(4.3)**		(3.4)
Deferred income tax liability		**(3.9)**		(4.9)
Deficit		**10.9**		9.1
Non-controlling interests		**(0.2)**		(4.5)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.4 million as of December 31, 2017.

(ii) IFRIC 23 - *Uncertainty over Income Tax Treatments* is required to be applied retrospectively for annual periods beginning on or after January 1, 2019.

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments. The adoption of IFRIC 23 will not have a material impact on the consolidated financial statements.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2018, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the Corporation's IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation's management during the financial period beginning October 1, 2018 and ending December 31, 2018.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- General economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- The intensity of competitive activity in the industries in which Quebecor operates;
- Fragmentation of the media landscape;
- New technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- Unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- Disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, mobile and cable telephony, and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- Labour disputes or strikes;
- Changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- Changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- Interest rate fluctuations that could affect Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 12, 2019, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 12, 2019

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2018, 2017 and 2016
(in millions of Canadian dollars, except per share data)

	2018	2017[1]	2016[1]
Operations			
Revenues	**$ 4,181.0**	$ 4,125.1	$ 4,057.1
Adjusted EBITDA	**1,732.1**	1,617.2	1,555.6
Contribution to net income attributable to shareholders:			
Continuing operations	**468.1**	347.9	343.9
Loss on valuation and translation of financial instruments	**(61.4)**	(195.6)	(68.4)
Unusual items	**(8.7)**	223.4	(42.4)
Discontinued operations	**3.5**	14.8	0.8
Net income attributable to shareholders	**401.5**	390.5	233.9
Cash flows provided by continuing operating activities	**1,387.5**	1,161.7	1,109.9
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 1.96**	$ 1.44	$ 1.41
Loss on valuation and translation of financial instruments	**(0.26)**	(0.81)	(0.28)
Unusual items	**(0.04)**	0.92	(0.17)
Discontinued operations	**0.02**	0.06	-
Net income attributable to shareholders	**1.68**	1.61	0.96
Dividends	**0.19**	0.10	0.09
Equity attributable to shareholders	**1.90**	3.65	2.46
Weighted average number of shares outstanding (in millions)	**239.3**	241.8	244.6
Number of shares outstanding (in millions)	**257.1**	238.2	243.7
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 1.92**	$ 1.31	$ 1.28
Dilution impact	**0.03**	0.13	0.12
Loss on valuation and translation of financial instruments	**(0.26)**	(0.81)	(0.28)
Unusual items	**(0.04)**	0.92	(0.17)
Discontinued operations	**0.02**	0.06	-
Net income attributable to shareholders	**1.67**	1.61	0.95
Diluted weighted average number of shares (in millions)	**239.8**	242.1	245.4
Financial position			
Working capital[2]	**$ (230.5)**	$ 753.3	$ (222.1)
Long-term debt	**6,428.2**	5,536.6	5,668.7
Convertible debentures, including embedded derivatives	**155.2**	892.2	790.0
Equity attributable to shareholders	**489.2**	868.6	598.9
Equity	**577.9**	1,409.0	1,024.5
Total assets	**9,531.6**	9,961.9	9,503.5

[1] Comparative numbers have been restated to reflect the adoption of IFRS 15, *Revenue from Contracts with Customers* .

[2] Including cash and cash equivalent and bank indebtedness and excluding the current portion of long term debt and convertible debentures

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

				2018				2017
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]
Revenues	**$ 1,087.1**	**$ 1,053.2**	**$ 1,038.7**	**$ 1,002.0**	$ 1,059.5	$ 1,036.1	$ 1,034.0	$ 995.5
Adjusted EBITDA	**450.0**	**463.1**	**414.2**	**404.8**	418.0	429.4	401.5	368.3
Contribution to net income attributable to shareholders:								
Continuing operating activities	**132.7**	**141.1**	**105.2**	**89.1**	83.3	103.1	87.7	73.8
(Loss) gain on valuation and translation of financial instruments	**(11.5)**	**54.9**	**(75.7)**	**(29.1)**	(7.8)	(79.1)	(36.2)	(72.5)
Unusual items	**(5.5)**	**(10.2)**	**10.8**	**(3.8)**	(5.6)	149.0	78.6	1.4
Discontinued operations	**1.1**	**0.9**	**1.0**	**0.5**	0.5	5.4	7.7	1.2
Net income attributable to shareholders	**116.8**	**186.7**	**41.3**	**56.7**	70.4	178.4	137.8	3.9
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.52**	**$ 0.61**	**$ 0.44**	**$ 0.38**	$ 0.35	$ 0.43	$ 0.36	$ 0.30
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**0.24**	**(0.32)**	**(0.12)**	(0.03)	(0.33)	(0.15)	(0.30)
Unusual items	**(0.02)**	**(0.05)**	**0.05**	**(0.02)**	(0.03)	0.62	0.32	-
Discontinued operations	**0.01**	**-**	**0.01**	**-**	-	0.02	0.04	0.01
Net income attributable to shareholders	**0.46**	**0.80**	**0.18**	**0.24**	0.29	0.74	0.57	0.01
Weighted average number of shares outstanding (in millions)	**255.1**	**232.8**	**233.5**	**235.9**	239.7	241.4	242.8	243.2
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.51**	**$ 0.54**	**$ 0.40**	**$ 0.34**	$ 0.32	$ 0.39	$ 0.32	$ 0.27
Dilution impact	**0.01**	**-**	**0.04**	**0.04**	0.03	0.04	0.04	0.03
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**-**	**(0.32)**	**(0.12)**	(0.03)	(0.33)	(0.15)	(0.30)
Unusual items	**(0.02)**	**(0.04)**	**0.05**	**(0.02)**	(0.03)	0.62	0.32	-
Discontinued operations	**0.01**	**-**	**0.01**	**-**	-	0.02	0.04	0.01
Net income attributable to shareholders	**0.46**	**0.50**	**0.18**	**0.24**	0.29	0.74	0.57	0.01
Weighted average number of diluted shares outstanding (in millions)	**255.5**	**268.8**	**239.4**	**236.3**	240.0	241.8	243.2	243.6

[1] Comparative numbers have been restated to reflect the adoption of IFRS 15, *Revenue from Contracts with Customers.*

This is Exhibit 57 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

MANAGEMENT DISCUSSION AND ANALYSIS

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company with an interest in Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital") for a total aggregate purchase price of $1.54 billion, paid in cash. On June 22, 2018, Quebecor purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of a convertible debenture in the principal amount of $150.0 million, convertible into Class B Subordinate Voting Shares ("Class B Shares") of Quebecor. Upon completion of these transactions, the Corporation's interest in Quebecor Media increased from 81.53% to 100.0%.

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation's segments are engaged in various long-term leases relating to premises and equipment. Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under the previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income. Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities. The impact of adoption of IFRS 16 on a fully retrospective basis is described under "Changes in Accounting Policies."

Table 3 provides a reconciliation of adjusted EBITDA to net income without restatement of comparative figures following adoption of IFRS 16, as permitted under International Financial Reporting Standards ("IFRS"). Form F1 in Canadian securities regulatory authorities' *Regulation 51-102 respecting Continuous Disclosure Obligations* stipulates that if a choice made in applying a change in accounting policies has a material effect, as is the case with IFRS 16, the Corporation may explain its choice and discuss the effect on its financial performance.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and cable telephony; Internet access; cable television; over-the-top ("OTT") video service; business telecommunications solutions; broadcasting; soundstage and equipment rental; audiovisual content production and distribution; newspaper publishing and distribution; specialized websites; book and magazine publishing and distribution; rental and distribution of video games and game consoles; music production and distribution; out-of-home advertising; operation and management of a world-class entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production, and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a leading mobile and cable communication service provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and in related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with IFRS.

DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. ("4Degrees Colocation") data centre operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron in the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. The results of operations and cash flows of these businesses were reclassified as discontinued operations in the consolidated statements of income and cash flows.

In this Management Discussion and Analysis, only continuing operating activities of Quebecor Media are included in the analysis of the Corporation's activities and in the analysis of its segment operating results.

HIGHLIGHTS SINCE END OF 2018

- Quebecor's revenues totalled $4.29 billion in 2019, a $112.8 million (2.7%) increase from 2018.

Telecommunications

- The Telecommunications segment grew its revenues by $98.4 million (2.9%) and its adjusted EBITDA by $87.8 million (5.1%) in 2019.
- Videotron significantly increased its revenues from mobile telephony ($66.3 million or 12.4%), customer equipment sales ($36.3 million or 15.5%) and Internet access ($35.0 million or 3.2%) in 2019.
- Videotron's total average billing per unit ("ABPU") was $50.00 in 2019, compared with $49.51 in 2018, a $0.49 (1.0%) increase. Mobile ABPU was $52.56 in 2019 compared with $53.62 in 2018, a $1.06 (-2.0%) decrease due in part to the popularity of bring your own device ("BYOD") plans.
- Videotron posted a net increase of 85,900 revenue-generating units ("RGU") (1.4%) in 2019, including 176,700 subscriber connections (15.3%) to the mobile telephony service, the largest annual increase in the number of connections since the launch of the mobile network in 2010; 38,500 subscribers (9.1%) to the Club illico OTT video service ("Club illico"), and 22,800 subscribers (1.3%) to cable Internet access.
- On December 23, 2019, Videotron announced the closing of the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue. The acquisition is subject to approval from Innovation, Science and Economic Development Canada ("ISED Canada") and to customary conditions.
- On December 13, 2019, Videotron announced that Samsung Electronics Co. Ltd. has been chosen as its partner for the roll-out of LTE-A and 5G radio access technology in Québec and in the Ottawa area. In this phase, Videotron will accelerate construction of its new generation network with a target of gradual commissioning beginning in 2020.
- On August 27, 2019, Videotron launched Helix, the new technology platform that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi, and, coming soon, support for home automation, all tailored to customer needs and preferences.
- On April 10, 2019, Videotron purchased 10 blocks of low-frequency spectrum in the 600 MHz band in ISED Canada's latest commercial mobile spectrum auction. The licences, covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario, were acquired for $255.8 million.
- Videotron earned numerous honours in 2019. It ranked first on the Top-Rated Workplace: Best in Québec list based on reviews posted on Indeed, Canada's leading jobs site. Videotron ranked as the most respected telecommunications company in Québec for the 14th consecutive year in the 2019 Léger reputation survey, and it was the most influential telecommunications brand in Québec for the 6th consecutive year on the 2019 Ipsos-*Infopresse* index. Lastly, Videotron made its appearance on Mediacorp Canada Inc.'s list of Canada's 70 greenest employers in 2019.

Media

- The Media segment grew its revenues by $9.4 million (1.3%) and its adjusted EBITDA by $14.8 million (24.7%) in 2019.
- According to the fall 2019 Vividata survey, *Le Journal de Montréal, Le Journal de Québec* and the free daily *24 heures* remain Québec's news leaders with more than 4.0 million readers per week across all platforms (print, mobile and Internet). TVA Group Inc. ("TVA Group") remains a leading player in the Canadian magazine industry with nearly 9.0 million readers across all platforms.
- On April 1, 2019, TVA Group closed the acquisition of the companies in the Incendo Media inc. ("Incendo Media") group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustments was also received in the third quarter of 2019.
- On February 13, 2019, TVA Group closed the acquisition of the companies in the Serdy Média inc. ("Serdy Média") group, which owns and operates the Évasion and Zeste specialty channels, along with the companies in the Serdy Video Inc. ("Serdy Video") group, for a total consideration of $23.5 million, net of acquired cash of $0.5 million. Post-closing adjustments of $1.6 million were also paid in the third quarter of 2019. The transaction was announced on May 1, 2018 and received Canadian Radio-television and Telecommunications Commission ("CRTC") approval on January 14, 2019.

Sports and Entertainment

- In September 2019, the Videotron Centre completed its fourth year of operations. During that year, the Videotron Centre hosted 97 sporting events and concerts, a 6.6% increase from the previous year. In December 2019, the trade magazine *Pollstar* ranked the Videotron Centre 92nd in the world and 6th in Canada among arenas by 2019 ticket sales.

Financial transactions

- On March 11, 2020, the Board of Directors of Quebecor declared a quarterly dividend of $0.20 per share on the Corporation's Class A Multiple Voting Shares ("Class A Shares") and Class B Shares, an increase of 78% of the quarterly dividend and in line with the objective of gradually achieving a dividend target of 30% to 50% of the Corporation's annual free cash flows.
- On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions of the facility. On February 13, 2019, TVA Group amended this secured revolving credit facility to extend its term to February 2020 and to amend certain terms and conditions of the facility.
- On October 8, 2019, Videotron issued $800.0 million aggregate principal amount of 4.50% Senior Notes maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of $9.3 million. Videotron used the proceeds mainly to pay down a portion of the amount due under its secured revolving credit facility.
- On July 15 2019, Quebecor Media prepaid the balance of its term loan "B" and settled the related hedging contracts for a total cash consideration of $340.9 million.
- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility, extending its term to July 2022 and to amend certain terms and conditions of the facility.

TREND INFORMATION

Competition continues to intensify in the mobile and cable telephony, Internet access, cable television and OTT video markets. Due to ongoing technological developments, the distinction between those platforms is fading rapidly and we expect increasing competition from non-traditional businesses across the key business segments of the Corporation. Competition also comes from wholesale Internet resellers. These resellers purchase large companies' high-speed access services to offer their own services to customers. Thus, the subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and cable networks, the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to advancements in LTE-Advanced and 5G mobile technologies, network virtualisation and automation, Internet access capacity and speed, ultra-high-definition television, Internet of Things, Internet Protocol Television ("IPTV") and OTT delivery technology, as well as the introduction of virtual reality and home automation. In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow in the future. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's capabilities to support this traffic and we may have to acquire additional spectrum in the future.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

The Media industry has experienced fundamental and permanent structural changes. Generalized audience fragmentation has prompted many advertisers to review their media placement strategies and turn an important part of their advertising budgets over to international competitors operating solely in digital media. In the broadcasting industry, audiences are increasingly fragmented as viewing habits have shifted toward Internet based content delivery platforms that allow users greater control over content and timing, such as the OTT video services. The Corporation's Media segment has taken steps in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

Moreover, newspaper and magazine circulation, measured in terms of copies sold, has been declining in that industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations have developed their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required to expand the Sports and Entertainment segment despite not operating in a major market.

In the books and music businesses, digital technology has disrupted buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats.

INTEREST IN SUBSIDIARIES

As of December 31, 2019, Quebecor held a 100% interest in Quebecor Media. The Corporation's interest in Quebecor Media increased from 81.53% to 100.0% as a result of the repurchase by Quebecor Media, on May 11 and June 22, 2018, of 16,064,215 of its Common Shares held by CDP Capital, and the purchase by Quebecor on June 22, 2018 of 1,564,696 shares of Quebecor Media held by CDP Capital.

Table 1 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2019.

Table 1
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2019

	Percentage of vote	**Percentage of equity**
Videotron Ltd.	100.0%	100.0%
TVA Group Inc.	99.9	68.4
MediaQMI Inc.	100.0	100.0
QMI Spectacles inc.	100.0	100.0

Quebecor Media's interest in its subsidiaries has not varied significantly over the past two years.

NON-IFRS FINANCIAL MEASURES

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary, are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, income taxes and income from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from segment operations and free cash flows from continuing operating activities of the Quebecor Media subsidiary. The Corporation's definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 2 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2019 and 2018 presented in Table 2 is drawn from the unaudited consolidated statements of income.

Table 2
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	**$ 1,803.4**	$ 1,715.6	**$ 462.7**	$ 435.4
Media	**74.8**	60.0	**35.3**	28.5
Sports and Entertainment	**7.3**	10.5	**2.6**	3.3
Head Office	**(6.0)**	(9.8)	**(6.1)**	(6.7)
	1,879.5	1,776.3	**494.5**	460.5
Depreciation and amortization	**(750.4)**	(753.1)	**(186.3)**	(190.4)
Financial expenses	**(327.5)**	(332.0)	**(81.4)**	(86.4)
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.1)	**(1.6)**	(7.0)
Income taxes	**(205.7)**	(162.8)	**(60.3)**	(46.6)
Income from discontinued operations	**97.5**	3.8	**–**	1.1
Net income	**$ 658.3**	$ 441.8	**$ 150.3**	$ 120.6

Adjusted EBITDA without restatement of comparative figures

Table 3 provides a reconciliation of adjusted EBITDA to net income without restatement of comparative figures following adoption of IFRS 16.

Table 3

Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements, without restatement of comparative figures following the adoption of IFRS 16

(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted EBITDA (negative adjusted EBITDA):				
Telecommunications	**$ 1,803.4**	$ 1,677.0	**$ 462.7**	$ 425.9
Media	**74.8**	55.3	**35.3**	27.5
Sports and Entertainment	**7.3**	5.0	**2.6**	1.9
Head Office	**(6.0)**	(5.2)	**(6.1)**	(5.3)
	1,879.5	1,732.1	**494.5**	450.0
Depreciation and amortization	**(750.4)**	(720.2)	**(186.3)**	(182.2)
Financial expenses	**(327.5)**	(323.5)	**(81.4)**	(84.4)
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.8)	**(1.6)**	(7.7)
Income taxes	**(205.7)**	(161.9)	**(60.3)**	(46.4)
Income from discontinued operations	**97.5**	3.8	**–**	1.1
Net income	**$ 658.3**	$ 439.2	**$ 150.3**	$ 119.8

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before the income from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 4 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2019 and 2018 presented in Table 4 is drawn from the unaudited consolidated statements of income.

Table 4

Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements

(in millions of Canadian dollars)

	Years ended December 31		Three months ended December 31	
	2019	2018	**2019**	2018
Adjusted income from continuing operating activities	**$ 581.0**	$ 469.8	**$ 159.6**	$ 132.9
Loss on valuation and translation of financial instruments	**(6.5)**	(61.3)	**(14.6)**	(10.6)
Restructuring of operations, litigation and other items	**(28.6)**	(29.1)	**(1.6)**	(7.0)
Income taxes related to adjustments[1]	**8.0**	19.0	**1.4**	1.1
Net income attributable to non-controlling interest related to adjustments	**1.4**	1.8	**0.3**	–
Discontinued operations	**97.5**	3.5	**–**	1.1
Net income attributable to shareholders	**$ 652.8**	$ 403.7	**$ 145.1**	$ 117.5

1 Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash flows from segment operations

Cash flows from segment operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Cash flows from segment operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital by Quebecor Media, repayment of long-term debt and purchase of non-controlling interest. Cash flows from segment operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from segment operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by its segments' operations. The Corporation's definition of cash flows from segment operations may not be identical to similarly titled measures reported by other companies. Tables 8 and 9 provide a reconciliation of cash flows from segment operations to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of the Quebecor Media subsidiary represents cash flows provided by its continuing operating activities calculated in accordance with IFRS, less additions to property, plant and equipment and to intangible assets (excluding disbursements for licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of the Quebecor Media subsidiary. Free cash flows from continuing operating activities represents Quebecor Media's available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, reduction of paid-up capital, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to other financial operating performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 9 provides a reconciliation of free cash flows from continuing operating activities of Quebecor Media to cash flows provided by continuing operating activities reported in Quebecor's consolidated financial statements.

KEY PERFORMANCE INDICATORS

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the cable Internet, cable television and Club illico services, and subscriber connections to the mobile telephony and cable telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for cable Internet, cable television, Club illico, mobile telephony and cable telephony services by the total average number of RGUs from cable Internet, cable television, mobile telephony and cable telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

2019/2018 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.29 billion, a $112.8 million (2.7%) increase.

- Revenues increased in Telecommunications ($98.4 million or 2.9% of segment revenues), Sports and Entertainment ($10.1 million or 5.5%) and Media ($9.4 million or 1.3%).

Adjusted EBITDA: $1.88 billion, a $103.2 million (5.8%) increase. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $147.4 million (8.5%).

- Adjusted EBITDA increased in Telecommunications ($87.8 million or 5.1% of segment adjusted EBITDA). Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $126.4 million (7.5%).
- Adjusted EBITDA increased in Media ($14.8 million or 24.7%).
- There was a favourable variance at Head Office ($3.8 million), mainly due to lower stock-based compensation costs.
- Adjusted EBITDA decreased in Sports and Entertainment ($3.2 million or -30.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $7.4 million favourable variance in the stock-based compensation charge in 2019 compared with 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.6 million unfavourable variance in the Corporation's stock-based compensation charge in 2019.

Net income attributable to shareholders: $652.8 million ($2.55 per basic share) in 2019, compared with $403.7 million ($1.69 per basic share) in 2018, an increase of $249.1 million ($0.86 per basic share).

- The main favourable variances were:
  - $103.2 million increase in adjusted EBITDA;
  - $93.7 million favourable variance in income from discontinued operations;
  - $54.8 million favourable variance in losses on valuation and translation of financial instruments, including $54.7 million without any tax consequences;
  - $32.6 million favourable variance in non-controlling interest.
- The unfavourable variance was mainly due to:
  - $42.9 million increase in the income tax expense.

Net income attributable to shareholders without restatement of comparative figures following adoption of IFRS 16 was $652.8 million in 2019, compared with $401.3 million in 2018, a $251.5 million increase.

Adjusted income from continuing operating activities: $581.0 million ($2.27 per basic share) in 2019, compared with $469.8 million ($1.96 per basic share) in 2018, an increase of $111.2 million ($0.31 per basic share) or 23.7%.

Depreciation and amortization charge: $750.4 million in 2019, a $2.7 million decrease.

Financial expenses: $327.5 million in 2019, a $4.5 million decrease. Reductions in financial expenses were caused mainly by lower interest on convertible debentures and a lower average interest rate on the debt. Additions to financial expenses were caused mainly by higher average indebtedness as a result of debt financing of a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018, and lower interest revenues generated by liquidity.

Loss on valuation and translation of financial instruments: $6.5 million in 2019 compared with $61.3 million in 2018. The $54.8 million favourable variance was due to a $54.7 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $28.6 million in 2019, compared with $29.1 million in 2018.

- A $9.8 million net restructuring charge was recognized in 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($14.2 million in 2018). An $18.8 million charge for impairment of assets was also recognized in 2019 in connection with restructuring initiatives ($14.9 million in 2018).

Income tax expense: $205.7 million in 2019 (effective tax rate of 26.6%), compared with $162.8 million in 2018 (effective tax rate of 24.6%), a $42.9 million unfavourable variance. The increase in the effective tax rates reflects recognition of benefits arising from prior year tax losses in 2018. This increase in the tax rate, combined with the impact of the increase in taxable income for tax purposes, explains the increase in the income tax expense in 2019 compared with 2018. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,950,100 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital cable television services, including video-on-demand, pay-per-view and pay TV; cable telephony services; and Club illico. Videotron also includes Videotron Business, a full-service business telecommunications provider that offers mobile and cable telephony, high-speed data transmission, Internet access and cable television services. In August 2019, Videotron launched Helix, the new technology platform that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi, and, coming soon, support for home automation, all tailored to customer needs and preferences.

The segment is also engaged in retail sales and rentals of DVDs, Blu-ray discs and console games through the Le SuperClub Vidéotron ltée subsidiary and its franchise network.

2019 operating results

Revenues: $3.48 billion in 2019, a $98.4 million (2.9%) increase.

- Revenues from the mobile telephony service increased $66.3 million (12.4%) to $600.7 million, essentially due to an increase in the number of subscriber connections, partially offset by a decrease in average per-subscriber revenues.
- Revenues from Internet access services increased $35.0 million (3.2%) to $1.11 billion, due mainly to higher per-subscriber revenues, reflecting among other things the impact of a favourable product mix and increases in some rates, and to an increase in the customer base, partially offset by a decrease in overage charges.
- Total revenues from cable television services decreased $22.3 million (-2.2%) to $974.4 million, due primarily to the impact of the net decrease in the customer base, partially offset by higher per-customer revenues resulting from, among other things, the impact of increases in some rates.
- Revenues from the cable telephony service decreased $27.5 million (-7.5%) to $341.1 million, mainly because of the impact of the net decrease in subscriber connections.
- Revenues from customer equipment sales increased $36.3 million (15.5%) to $269.8 million, mainly because of the impact of equipment sales related to the new Helix platform launched on August 27, 2019.
- Other revenues increased $10.6 million (6.3%) to $180.1 million, mainly reflecting revenue increases at Club illico and at Videotron Business.

ABPU: Videotron's total ABPU was $50.00 in 2019 compared with $49.51 in 2018, a $0.49 (1.0%) increase. Mobile ABPU was $52.56 in 2019 compared with $53.62 in 2018, a $1.06 (-2.0%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – The total number of RGUs was 6,076,200 at December 31, 2019, an increase of 85,900 (1.4%) in 2019 compared with an increase of 109,200 in 2018 (Table 5).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,330,500 at December 31, 2019, an increase of 176,700 (15.3%) in 2019 compared with an increase of 129,800 in 2018 (Table 5). The 2019 annual increase in the number of connections was the largest since the launch of the mobile network in 2010.

Cable Internet access – The number of subscribers to cable Internet access services stood at 1,727,300 at December 31, 2019, an increase of 22,800 (1.3%) in 2019 compared with an increase of 38,000 in 2018 (Table 5). As of December 31, 2019, Videotron's cable Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,950,100 homes and businesses passed by Videotron's network as of December 31, 2019, up from 2,907,900 one year earlier) of 58.6%, the same as a year earlier.

Cable television – The number of subscribers to cable television services stood at 1,531,800 at December 31, 2019, a decrease of 65,500 (-4.1%) in 2019 compared with a decrease of 43,200 in 2018 (Table 5). At December 31, 2019, the cable television service had a household and business penetration rate of 51.9% versus 54.9% a year earlier.

Cable telephony – The number of subscriber connections to the cable telephony service stood at 1,027,300 at December 31, 2019, a decrease of 86,600 (-7.8%) in 2019 compared with a decrease of 74,600 in 2018 (Table 5). At December 31, 2019, the cable telephony service had a household and business penetration rate of 34.8% versus 38.3% a year earlier.

Club illico – The number of subscribers to Club illico stood at 459,300 at December 31, 2019, an increase of 38,500 (9.1%) in 2019 compared with an increase of 59,200 in 2018 (Table 5).

Table 5
Telecommunications segment year-end RGUs (2015-2019)
(in thousands of customers)

	2019	2018	2017	2016	2015
Mobile telephony	**1,330.5**	1,153.8	1,024.0	893.9	768.6
Cable Internet	**1,727.3**	1,704.5	1,666.5	1,612.8	1,568.2
Cable television	**1,531.8**	1,597.3	1,640.5	1,690.9	1,736.9
Cable telephony	**1,027.3**	1,113.9	1,188.5	1,253.1	1,316.3
Club illico	**459.3**	420.8	361.6	314.7	257.5
Total	**6,076.2**	5,990.3	5,881.1	5,765.4	5,647.5

Adjusted EBITDA: $1.80 billion, an $87.8 million (5.1%) increase due primarily to:

- impact of the net revenue increase;
- net decrease in operating expenses, reflecting in part the impact of a one-time gain, the favourable impact of a reversal of a provision in connection with a lawsuit, as well as lower engineering expenses, partially offset by the unfavourable impact of start-up expenses for Fizz.

Partially offset by:

- retroactive favourable adjustment recorded in 2018 related to roaming fees following a CRTC decision (creating an unfavourable variance in 2019 when compared with 2018);
- higher cost of mobile telephony and cable television equipment sales, reflecting in part the impact of the cost of equipment related to the new Helix platform.

Adjusted EBITDA without restatement of comparative figures following adoption of IFRS 16 increased by $126.4 million (7.5%).

Cost/revenue ratio: Employee costs and purchase of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.2% in 2019, compared with 49.3% in 2018, mainly because of the decrease in operating expenses, reflecting in part the impact of a one-time gain, the favourable impact of a reversal of a provision in connection with a lawsuit, and the fixed component of costs, which does not fluctuate in proportion to revenue growth.

Cash flows from operations

Cash flows from segment operations: $1.12 billion in 2019 compared with $1.02 billion in 2018 (Table 6). The $100.6 million increase was due primarily to the $87.8 million increase in adjusted EBITDA and a $36.4 million decrease in additions to property, plant and equipment, mainly attributable to lower spending related to the leasing of digital set-top boxes, partially offset by a $22.0 million increase in additions to intangible assets, due primarily to investment in the IPTV project.

Table 6: Telecommunications
Cash flows from operations
(in millions of Canadian dollars)

		2019		2018
Adjusted EBITDA	**$**	**1,803.4**	$	1,715.6
Additions to property, plant and equipment		**(476.8)**		(513.2)
Additions to intangible assets (excluding acquisition of spectrum licences)		**(212.2)**		(190.2)
Proceeds from disposal of assets		**4.1**		5.7
Cash flows from segment operations	**$**	**1.118.5**	$	1,017.9

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network, as well as the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI ET CIE, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates and is engaged in commercial production. In addition to linear television, TVA Network and the specialty channels broadcast on-demand streaming content over multiplatform applications, including the *tva.ca* website and the TVA mobile app, which provide free access to TVA Network programs and to some specialty channel content in high definition, live or on demand.

Through its subsidiaries, TVA Group owns Mels Studios and Postproduction G.P. and Mels Dubbing Inc., providers of soundstage, equipment and mobile unit rental, postproduction, dubbing and visual effects services to the film and television industries.

Since the acquisition of the companies in the Incendo Media group on April 1, 2019, TVA Group has been engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 French- and English-language magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands and provides custom publishing services. TVA Group is the largest magazine publisher in Québec.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures* and the J5 app, which provides real-time access to news on mobile devices, tablets and Apple Watch. The websites of the paid dailies, *journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with more than 4.1 million visitors per month (source: ComScore, November 2019). According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2019 was approximately 2.3 million copies per week in print and electronic formats.

In addition, the Media segment includes NumériQ inc.("NumériQ"), which brings together digital content and strategy production assets harnessed to create digital platforms and content for the Corporation's various platforms, and it operates a number of other digital brands, including *Le Guide de l'auto, Le sac de chips, Pèse sur Start, Silo 57* and *Tabloïd.* NumériQ also owns QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts.

The Corporation's apps and websites log a combined total of more than 7.6 million unique visitors per month in Canada (source: ComScore, December 2019).

The Media segment is also engaged in printing newspapers, distributing newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, as well as Quebecor Media Sales, which offers Media segment customers integrated, diversified and complete advertising services.

2019 operating results

Revenues: $738.0 million in 2019, a $9.4 million (1.3%) increase.

- Subscription revenues increased by $8.9 million (4.4%), mainly from the specialty channels, reflecting in part the impact of the acquisition of the Évasion and Zeste specialty channels on February 13, 2019, partially offset by lower magazine subscription revenues.
- Other revenues increased by $13.1 million (7.5%), mainly because of higher revenues from the production and distribution of audiovisual content following the acquisition of the companies in the Incendo Media group on April 1, 2019, combined with higher revenues from film production and audiovisual services.
- Advertising revenues decreased by $12.6 million (-3.6%), mainly because of lower advertising revenues at the newspapers and magazines, partially offset by higher advertising revenues at the specialty channels, including Évasion and Zeste.

Adjusted EBITDA: $74.8 million in 2019, a $14.8 million (24.7%) favourable variance due primarily to:

- decreases in some operating expenses, reflecting in part the impact of the budget cuts announced in the second quarter of 2019, lower content costs in the broadcasting business, lower editorial, selling, labour and administration costs in the newspaper publishing business, and lower subscription costs in the magazines business;
- the acquired businesses' contribution to adjusted EBITDA.

Partially offset by:

- impact of lower revenues, on a comparable basis;
- increased digital investments.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.9% in 2019 compared with 91.8% in 2018. The reduction was mainly due to the decrease in operating expenses and the contribution of business acquisitions.

Cash flows from operations

Cash flows from segment operations: $28.2 million in 2019, compared with $30.2 million in 2018 (Table 7). The $2.0 million decrease was due to the $13.1 million increase in additions to property, plant and equipment and to intangible assets, mainly attributable to spending on digital, and the $3.7 million decrease in proceeds from disposal of assets, partially offset by the $14.8 million increase in adjusted EBITDA.

Table 7: Media
Cash flows from operations
(in millions of Canadian dollars)

		2019		2018
Adjusted EBITDA	**$**	**74.8**	$	60.0
Additions to property, plant and equipment		**(21.8)**		(28.7)
Additions to intangible assets		**(24.8)**		(4.8)
Proceeds from disposal of assets		**–**		3.7
Cash flows from segment operations	**$**	**28.2**	$	30.2

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc.; Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses; and Messageries A.D.P. inc., which distributes print books and e-books, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); and concert and event production (Musicor Spectacles).

2019 operating results

Revenues: $192.2 million in 2019, a $10.1 million (5.5%) increase due mainly to higher revenues from book distribution.

Adjusted EBITDA: $7.3 million in 2019, a $3.2 million (-30.5%) decrease due mainly to decreased contribution to margin from book distribution, lower revenues from educational publishing, and increased operating expenses for the Music business, partially offset by lower operating expenses for the concerts business.

Cash flows from operations

Cash flows from segment operations: $2.6 million in 2019, compared with $5.5 million in 2018 (Table 8). The $2.9 million unfavourable variance was mainly due to the $3.2 million unfavourable variance in adjusted EBITDA.

Table 8: Sports and Entertainment
Cash flows from operations
(in millions of Canadian dollars)

	2019	2018
Adjusted EBITDA	**$ 7.3**	$ 10.5
Additions to property, plant and equipment	**(1.3)**	(1.5)
Additions to intangible assets	**(3.5)**	(3.5)
Proceeds from disposal of assets	**0.1**	–
Cash flows from segment operations	**$ 2.6**	$ 5.5

2019/2018 FOURTH QUARTER COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $1.14 billion, a $49.1 million (4.5%) increase.

- Revenues increased in Telecommunications ($42.5 million or 4.9% of segment revenues), Media ($10.0 million or 5.1%), and Sports and Entertainment ($1.2 million or 2.2%).

Adjusted EBITDA: $494.5 million, a $34.0 million (7.4%) increase. Without restatement of comparative figures following adoption of IFRS 16, adjusted EBITDA increased by $44.5 million (9.9%).

- Adjusted EBITDA increased $27.3 million (6.3%) in the Telecommunications segment. Without restatement of comparative figures following adoption of IFRS 16, the segment's adjusted EBITDA increased by $36.8 million (8.6%).
- Adjusted EBITDA increased in Media ($6.8 million or 23.9%).
- There was a favourable variance at Head Office ($0.6 million).
- Adjusted EBITDA decreased in Sports and Entertainment ($0.7 million or -21.2%).
- The change in the fair value of Quebecor Media stock options resulted in a $2.1 million favourable variance in the stock-based compensation charge in the fourth quarter of 2019 compared with the same period of 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.8 million unfavourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2019.

Net income attributable to shareholders: $145.1 million ($0.57 per basic share) in the fourth quarter of 2019, compared with $117.5 million ($0.46 per basic share) in the same period of 2018, a favourable variance of $27.6 million ($0.11 per basic share).

- The main favourable variances were:
  - $34.0 million increase in adjusted EBITDA;
  - $5.4 million decrease in the charge for restructuring of operations, litigation and other items;
  - $5.0 million decrease in financial expenses;
  - $4.1 million decrease in the depreciation and amortization charge.
- The main unfavourable variances were:
  - $13.7 million increase in the income tax expense;
  - $4.0 million unfavourable variance in losses on valuation and translation of financial instruments, including $1.6 million without any tax consequences.

Net income attributable to shareholders without restatement of comparative figures following adoption of IFRS 16 was $145.1 million in the fourth quarter of 2019, compared with $116.9 million in the same period of 2018, a $28.2 million increase.

Adjusted income from continuing operating activities: $159.6 million ($0.63 per basic share) in the fourth quarter of 2019, compared with $132.9 million ($0.52 per basic share) in the same period of 2018, an increase of $26.7 million ($0.11 per basic share) or 20.1%.

Depreciation and amortization charge: $186.3 million in the fourth quarter of 2019, a $4.1 million decrease due primarily to decreased spending related to the leasing of digital set-top boxes.

Financial expenses: $81.4 million in 2019, a $5.0 million decrease caused mainly by lower average indebtedness and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by a higher average interest rate on the debt.

Loss on valuation and translation of financial instruments: $14.6 million in 2019 compared with $10.6 million in the same period of 2018. The $4.0 million unfavourable variance was due to a $1.6 million unfavourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures, combined with current variances in the fair value of other derivative financial instruments.

Charge for restructuring of operations, litigation and other items: $1.6 million in the fourth quarter of 2019 compared with $7.0 million in the same period of 2018, a $5.4 million favourable variance.

- A $1.6 million net charge was recognized in the fourth quarter of 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($7.0 million in the fourth quarter of 2018).

Income tax expense: $60.3 million in 2019 (effective tax rate of 27.0%), compared with $46.6 million in 2018 (effective tax rate of 26.3%), a $13.7 million unfavourable variance caused essentially by the impact of the increase in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $908.6 million, a $42.5 million (4.9%) increase due essentially to the same factors as those noted above under “2019/2018 financial year comparison.”

- Revenues from the mobile telephony service increased $17.7 million (12.7%) to $157.2 million.
- Revenues from Internet access services increased $8.6 million (3.1%) to $282.7 million.
- Total revenues from cable television services decreased $9.5 million (-3.8%) to $239.5 million.
- Revenues from cable telephony service decreased $6.1 million (-6.8%) to $83.7 million.
- Revenues from customer equipment sales increased $28.7 million (40.5%) to $99.6 million.
- Other revenues increased $3.1 million (7.2%) to $45.9 million.

ABPU: Videotron’s total ABPU was $49.99 in the fourth quarter of 2019 compared with $49.84 in the same period of 2018, a $0.15 (0.3%) increase. Mobile ABPU was $51.89 in the fourth quarter of 2019, compared with $53.25 in the same period of 2018, a $1.36 (-2.6%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – 21,800 (0.4%) unit increase in the fourth quarter of 2019 compared with an increase of 34,400 in the same period of 2018.

Mobile telephony – 41,800 (3,2%) subscriber-connection increase in the fourth quarter of 2019 compared with an increase of 33,100 in the same period of 2018. The 2019 fourth-quarter increase in the number of connections was the largest since 2014.

Cable Internet access – 3,000 (0.2%) subscriber increase in the fourth quarter of 2019 compared with an increase of 7,000 in the same period of 2018.

Cable television – 13,400 (-0.9%) subscriber decrease in the fourth quarter of 2019 compared with a decrease of 6,400 in the same period of 2018.

Cable telephony – 25,400 (-2.4%) subscriber-connection decrease in the fourth quarter of 2019 compared with a decrease of 17,200 in the same period of 2018.

Club illico – 15,800 (3.6%) subscriber increase in the fourth quarter of 2019 compared with an increase of 17,900 in the same period of 2018.

Adjusted EBITDA: $462.7 million, a $27.3 million (6.3%) increase due primarily to:

- impact of the net revenue increase;
- favourable impact of a reversal of a provision in connection with a lawsuit.

Partially offset by:

- net increase in operating expenses, reflecting in part the impact of a favourable retroactive adjustment to taxes on the network recorded in 2018 (creating an unfavourable variance in 2019 compared with 2018), plus the unfavourable impact of start-up expenses for Fizz, partially offset by a decrease in engineering and advertising expenses.

Adjusted EBITDA without restatement of comparative figures following adoption of IFRS 16 increased by $36.8 million (8.6%).

Cost/revenue ratio: Employee costs and purchase of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.1% in the fourth quarter of 2019 compared with 49.7% in the same period of 2018.

Media

Revenues: $208.0 million in the fourth quarter of 2019, a $10.0 million (5.1%) increase.

- Subscription revenues increased by $4.1 million (8.1%), mainly because of higher subscription revenues at the specialty channels, including the impact of the acquisition of Évasion and Zeste, and favourable retroactive adjustments to the subscription fees in agreements with some cable providers to reflect the fair value of the specialty channels, partially offset by lower subscription revenues at the magazines.
- Other revenues increased by $9.2 million (18.9%), due essentially to the same factors as those noted above under "2019/2018 comparison."
- Advertising revenues decreased by $3.3 million (-3.3%), mainly because of lower advertising revenues at the magazines and newspapers, partially offset by higher advertising revenues at the specialty channels, including Évasion and Zeste, and at Quebecor Media Out of Home.

Adjusted EBITDA: $35.3 million in the fourth quarter of 2019, a $6.8 million (23.9%) favourable variance due primarily to:

- impact of the net revenue increase;
- decreases in some operating expenses, reflecting in part the impact of the budget cuts announced in the second quarter of 2019, and lower labour, editorial and selling costs in the newspaper publishing business.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 83.0% in the fourth quarter of 2019 compared with 85.6% in the same period of 2018. The reduction was mainly due to the contribution of business acquisitions and the decrease in operating expenses.

Sports and Entertainment

Revenues: $54.7 million in the fourth quarter of 2019, a $1.2 million (2.2%) increase due mainly to higher revenues from book distribution, partially offset by lower revenues in the Music business.

Adjusted EBITDA: $2.6 million in the fourth quarter of 2019, a $0.7 million (-21.2%) decrease due mainly to a decreased contribution to margin from book distribution, partially offset by lower operating expenses in the Music business.

2018/2017 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of Quebecor

Revenues: $4.18 billion, a $55.9 million (1.4%) increase.

- Revenues increased in Telecommunications ($94.2 million or 2.9% of segment revenues) and in Sports and Entertainment ($0.8 million or 0.4%).
- Revenues decreased in Media ($41.3 million or -5.4%).

Adjusted EBITDA: $1.78 billion, a $116.8 million (7.0%) increase.

- Adjusted EBITDA increased in Telecommunications ($122.5 million or 7.7% of segment adjusted EBITDA).
- There was a favourable variance at Head Office ($9.2 million), mainly due to lower compensation costs.
- There was an unfavourable variance in Media ($13.8 million or -18.7%) and in Sports and Entertainment ($1.1 million or -9.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $0.5 million unfavourable variance in the stock-based compensation charge in 2018 compared with 2017. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $2.1 million favourable variance in the Corporation's stock based compensation charge in 2018.

Net income attributable to shareholders: $403.7 million ($1.69 per basic share) in 2018, compared with $390.7 million ($1.61 per basic share) in 2017, an increase of $13.0 million ($0.08 per basic share).

- The main favourable variances were:
    - $138.5 million favourable variance in losses on valuation and translation of financial instruments, including $137.0 million without any tax consequences;
    - $116.8 million increase in adjusted EBITDA;
    - $99.9 million favourable variance in non-controlling interest;
    - $43.8 million favourable variance in impairment of goodwill and intangible assets;
    - $15.6 million favourable variance in the loss on debt refinancing.
- The main unfavourable variances were:
    - $330.9 million gain on the sale of spectrum licences recognized in 2017, including $165.5 million without any tax consequences;
    - $16.9 million increase in the income tax expense;
    - $14.7 million increase in financial expenses;
    - $14.4 million unfavourable variance in income from discontinued operations;
    - $13.1 million increase in the depreciation and amortization charge;
    - $11.6 million unfavourable variance in the charge for restructuring of operations, litigation and other items.

Adjusted income from continuing operating activities: $469.8 million ($1.96 per basic share) in 2018, compared with $348.2 million ($1.44 per basic share) in 2017, an increase of $121.6 million ($0.52 per basic share) or 34.9%.

Depreciation and amortization charge: $753.1 million, a $13.1 million increase due mainly to the impact of capital expenditures in the Telecommunications segment, including depreciation of investments in wired and wireless networks and computer systems.

Financial expenses: $332.0 million in 2018, a $14.7 million increase caused mainly by higher average indebtedness as a result of debt financing a portion of the repurchase of the Quebecor Media shares held by CDP Capital in the second quarter of 2018, partially offset by higher interest revenues generated by liquidity and a lower average interest rate on the debt.

Loss on valuation and translation of financial instruments: $61.3 million in 2018 compared with $199.8 million in 2017. The $138.5 million favourable variance was essentially due to a $137.0 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations, litigation and other items: $29.1 million in 2018, compared with $17.5 million in 2017, an $11.6 million unfavourable variance.

- A $14.2 million charge was recognized in 2018 in connection with cost-reduction initiatives in the Corporation's various segments and with disposal of assets. A $17.5 million net charge related to cost-reduction initiatives, customer migration from analog to digital service in the Telecommunications segment, and developments in legal disputes was recognized in 2017.
- A $14.9 million charge for impairment of assets was also recognized in 2018 in connection with various restructuring initiatives, primarily in the Telecommunications segment.

Gain on sale of spectrum licences: $330.9 million in 2017.

- On July 24, 2017, Videotron sold its seven 2500 MHz and 700 MHZ wireless spectrum licences outside Québec to Shaw Communications Inc. for a cash consideration of $430.0 million. A $243.1 million gain was recognized on the sale of the licences, including $121.6 million without any tax consequences.
- On June 20, 2017, Videotron sold its Advanced Wireless Services ("AWS-1") spectrum licence in the Toronto metropolitan area to Rogers Communications Canada Inc. ("Rogers") for a cash consideration of $184.2 million, pursuant to the transfer option held since 2013 by Videotron. An $87.8 million gain was recognized on the sale of the licence, including $43.9 million without any tax consequences.

Charge for impairment of goodwill and intangible assets: $43.8 million in 2017.

- In 2017, Quebecor Media performed impairment tests on its Magazines cash-generating unit ("CGU") in view of the downtrend in the industry's revenues. Quebecor Media concluded that the recoverable amount of its Magazines CGU was less than its carrying amount. Accordingly, a $30.0 million non-cash goodwill impairment charge, including $1.5 million without any tax consequences, and a charge for impairment of intangible assets totalling $12.4 million, including $3.1 million without any tax consequences, were recorded in 2017. An additional $1.4 million charge for impairment of intangible assets was also recognized in various segments of the Corporation in 2017.

Loss on debt refinancing: $15.6 million in 2017.

- On May 1, 2017, Videotron redeemed $125.0 million aggregate principal amount of its outstanding 6.875% Senior Notes issued on July 5, 2011 and maturing on July 15, 2021 at a redemption price of 103.438% of their principal amount. A $5.2 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.
- On May 1, 2017, Quebecor Media fully redeemed its outstanding 7.375% Senior Notes issued on January 5, 2011 and maturing on January 15, 2021, in the aggregate principal amount of $325.0 million, at a redemption price of 102.458% of their principal amount. A $10.4 million loss was recorded in the consolidated statement of income in 2017 in connection with this redemption.

Income tax expense: $162.8 million in 2018 (effective tax rate of 24.6%), compared with $145.9 million in 2017 (effective tax rate of 21.6%), a $16.9 million unfavourable variance. The effective tax rates mainly reflect recognition of benefits arising from prior year tax losses in 2018 and 2017. The increase in the effective rate was mainly due to recognition of lower tax losses in 2018 than in 2017. The increase in the income tax expense was due to the increase in effective tax rates, partially offset by the impact of the decrease in taxable income for tax purposes. The effective tax rate is calculated considering only taxable and deductible items.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation's sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under "Trend Information" above, the risk analysis in the "Risks and Uncertainties" section below, and the discussion of the Corporation's financial risks under "Financial Instruments and Financial Risk" below.

Operating activities

Cash flows provided by continuing operating activities: $1.21 billion in 2019 compared with $1.42 billion in 2018.

The $212.2 million decrease was mainly due to:

- $375.6 million unfavourable change in non-cash operating assets and liabilities, due primarily to an unfavourable variance in income tax payable and to a decrease in other operating liabilities, an increase in other operating assets, a decrease in accounts payable and accrued charges, and an increase in inventory in the Telecommunications segment.

Partially offset by:

- $87.8 million and $14.8 million increases in adjusted EBITDA in the Telecommunications and Media segments respectively;
- $47.0 million decrease in current income taxes;
- $5.5 million decrease in the cash portion of financial expenses;
- $4.4 million decrease in the cash portion of the charge for restructuring of operations, litigation and other items.

The unfavourable variance in income tax payable and the decrease in other operating liabilities, the increase in other operating assets, the decrease in accounts payable and accrued charges and the increase in inventory in the Telecommunications segment had an unfavourable impact on cash flows provided by continuing operating activities in 2019 compared with 2018, while increased profitability in the Telecommunications and Media segments and a decrease in the cash interest expense had a favourable impact. The evolution of Videotron's business model, including the launch of Helix, is largely responsible for the additional investment in operating assets.

Working capital: Negative $153.4 million at December 31, 2019 compared with negative $291.9 million at December 31, 2018. The $138.5 million favourable variance was due primarily to the decreases in net income tax payable and in accounts payable and accrued charges, and increases in other current assets, contract assets and inventory, partially offset by the realization of net assets held for sale.

Investing activities

Additions to property, plant and equipment: $501.6 million in 2019 compared with $549.5 million in 2018. The $47.9 million decrease was due primarily to decreased spending related to the leasing of digital set-top boxes in the Telecommunications segment.

Additions to intangible assets: $496.9 million in 2019 compared with $197.4 million in 2018. The $299.5 million increase was due primarily to the acquisition of spectrum licenses for $255.8 million and spending on the IPTV project.

Proceeds from disposal of assets: $4.2 million in 2019 compared with $9.4 million in 2018.

Business acquisitions: $35.6 million in 2019 compared with $10.3 million in 2018.

- In 2019, business acquisitions consisted of the acquisition of the companies in the Serdy Média, the companies in the Serdy Video group, and the companies in the Incendo Media group in the Media segment.
- In 2018, business acquisitions consisted mainly of the acquisition of LC Media, Audio Zone and the assets of Mobilimage by the Media segment.

Business disposals: $260.7 million in 2019, consisting of the sale of the operations of the 4Degrees Colocation data centres.

Acquisition of non-controlling interest: $1.54 billion in 2018.

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital for a total aggregate purchase price of $1.54 billion, paid in cash. Available cash and drawings on Videotron's secured revolving credit facility were used to finance the transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital in consideration of the issuance of $150.0 million aggregate principal amount of convertible debentures of Quebecor to CDP Capital.

Free cash flows from continuing operating activities of the Quebecor Media subsidiary

Free cash flows from continuing operating activities of Quebecor Media: $514.2 million in 2019 compared with $721.6 million in 2018 (Table 9). The $207.4 million decrease was mainly due to:

- $206.4 million decrease in cash flows provided by continuing operating activities;
- $43.7 million increase in additions to intangible assets.

Partially offset by:

- $47.9 million decrease in additions to property, plant and equipment.

Table 9
Cash flows from segment operations and free cash flows from continuing operating activities of Quebecor Media
(in millions of Canadian dollars)

	2019	2018
Cash flows from segment operations		
Telecommunications	**$ 1,118.5**	$ 1,017.9
Media	**28.2**	30.2
Sports and Entertainment	**2.6**	5.5
Quebecor Media Head Office	**(4.6)**	(9.4)
	1,144.7	1,044.2
Cash interest expense	**(275.0)**	(284.7)
Cash portion related to restructuring of operations, litigation and other items	**(9.8)**	(14.2)
Current income taxes	**(107.0)**	(154.9)
Other	**(1.3)**	(4.6)
Net change in operating assets and liabilities	**(237.4)**	135.8
Free cash flows from continuing operating activities of Quebecor Media	**$ 514.2**	$ 721.6

Table 10
Free cash flows from continuing operating activities of Quebecor Media and cash flows provided by continuing operating activities of Quebecor
(in millions of Canadian dollars)

	2019	2018
Free cash flows from continuing operating activities of Quebecor Media presented in Table 9	**$ 514.2**	$ 721.6
Quebecor Head Office cash flow items:		
Cash flows from segment operations	**(3.7)**	(5.4)
Cash interest expense	**(44.4)**	(40.2)
Current income taxes	**(0.9)**	–
Net change in operating assets and liabilities	**8.1**	10.5
	(40.9)	(35.1)
Plus additions to property, plant and equipment	**501.6**	549.5
Plus additions to intangible assets (excluding spectrum licences)	**241.1**	197.4
Minus proceeds from disposal of assets	**(4.2)**	(9.4)
Cash flows provided by continuing operating activities of Quebecor	**$ 1,211.8**	$ 1,424.0

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $465.6 million reduction in 2019; $209.3 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in 2019 essentially consisted of:
  - $649.1 million decrease in Videotron's drawings on its secured revolving credit facility;
  - prepayment by Quebecor Media on July 15, 2019 of the balance of its US$350 million term loan "B" issued on August 1, 2013, bearing interest at the London Interbank Offered Rate ("LIBOR") plus 2.25%, and maturing on August 17, 2020;
  - $198.2 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under "Derivative financial instruments";
  - repayment of TVA Group's secured term loan in the amount of $52.9 million.
- Additions to debt in 2019 essentially consisted of:
  - issuance by Videotron on October 8, 2019 of $800.0 million aggregate principal amount of 4.50% Senior Notes maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of $9.3 million;
  - $53.9 million increase in total drawings on the secured revolving bank credit facilities of TVA Group and Quebecor Media;
  - $5.7 million increase in the bank indebtedness of Quebecor Media;
  - $5.5 million increase in Quebecor's debt.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $677.7 million at December 31, 2019 compared with $887.0 million at December 31, 2018. The $209.3 million decrease was mainly due to:
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unwinding of Quebecor Media's hedges in an asset position in connection with prepayment of its term loan "B" on July 15, 2019.

Partially offset by:

- o favourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.

- On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions of the facility. On February 13, 2019, TVA Group amended this secured revolving credit facility to extend its term to February 2020 and to amend certain terms and conditions of the facility.
- On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain terms and conditions of the facility.

Financial position

Net available liquidity: $1.68 billion at December 31, 2019 for Quebecor Media and its wholly owned subsidiaries, consisting of $1.70 billion in available unused revolving credit facilities, less $21.2 million in bank indebtedness.

Net available liquidity: $38.4 million as at December 31, 2019 for Quebecor at the corporate level, consisting of $39.0 million in available unused revolving credit facilities, less $0.6 million in bank indebtedness.

Consolidated debt (long-term debt plus bank indebtedness): $5.99 billion at December 31, 2019, a $465.6 million decrease compared with December 31, 2018; $209.3 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see “Financing activities” above).

- Consolidated debt essentially consisted of Videotron’s $4.25 billion debt ($4.23 billion at December 31, 2018); TVA Group’s $44.9 million debt ($52.8 million at December 31, 2018); Quebecor Media’s $1.64 billion debt ($2.12 billion at December 31, 2018); and Quebecor’s $58.7 million debt ($53.2 million at December 31, 2018).

As at December 31, 2019, minimum principal payments on long-term debt in the coming years are as follows:

Table 11
Minimum principal payments on Quebecor’s long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2020	$	57.2
2021		1.4
2022		1,092.7
2023		1,701.0
2024		779.4
2025 and thereafter		2,354.4
Total	**$**	**5,986.1**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor’s consolidated debt was approximately 5.2 years as of December 31, 2019 (5.1 years as of December 31, 2018). After taking into account hedging instruments, at December 31, 2019 the debt consisted of approximately 93.9% fixed-rate debt (76.3% at December 31, 2018) and 6.1% floating-rate debt (23.7% at December 31, 2018).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases and dividend payments to shareholders. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At December 31, 2019, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On March 11, 2020, the Board of Directors of Quebecor declared a quarterly dividend of $0.20 per share on Class A Shares and Class B Shares, payable on April 21, 2020 to shareholders of record as of the record date of March 27, 2020.

600 MHz spectrum auction

On April 10, 2019, Videotron purchased 10 blocks of low-frequency spectrum in the 600 MHz band in ISED Canada’s latest commercial mobile spectrum auction. The licences, covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario, were acquired for $255.8 million.

Board of Directors

On March 11, 2020, the Board of Directors received the resignation of Manon Brouillette, a Director of the Corporation and of Quebecor Media since 2019.

On March 11, 2020, Michèle Colpron was appointed a Director of Quebecor and Quebecor Media.

Analysis of consolidated balance sheet at December 31, 2019

Table 12
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2019 and 2018
(in millions of Canadian dollars)

	Dec. 31, 2019	Dec. 31, 2018	Difference	Main reasons for difference
Assets				
Contract assets	**$ 168.3**	$ 144.4	$ 23.9	Increased mobile device sales
Inventory	**240.4**	203.1	37.3	Impact of current variances in activity and Helix launch
Income taxes[1]	**14.9**	(114.4)	129.3	Current disbursements less current income taxes for the period
Other current assets	**121.2**	101.5	19.7	Impact of current variances in activity
Net assets held for resale[1]	**–**	88.4	(88.4)	Sale of 4Degrees Colocation
Property, plant and equipment	**3,415.9**	3,467.3	(51.4)	Depreciation for the period, less additions to property, plant and equipment on an accrual basis
Intangible assets	**1,444.0**	1,135.3	308.7	Acquisition of spectrum licences and investment in the IPTV project by Videotron, less amortization for the period
Goodwill	**2,692.9**	2,678.3	14.6	Acquisition of the companies in the Incendo Media group, the Serdy Média group and the Serdy Video group
Derivative financial instruments[2]	**677.7**	887.0	(209.3)	See "Financing activities"
Other long-term assets	**240.7**	201.6	39.1	Investments in affiliated corporations, acquisition of companies in the Incendo Media group and Helix launch
Liabilities				
Accounts payable and accrued charges	**809.6**	830.8	(21.2)	Impact of current variances in activity
Long-term debt, including current portion and bank indebtedness	**5,986.9**	6,452.5	(465.6)	See "Financing activities"
Deferred income tax[3]	**828.0**	724.1	103.9	Deferred income tax expense on statement of income
Other long-term liabilities	**371.2**	268.9	102.3	Loss on remeasurement of pension plan obligations and assets; contingent consideration related to the sale of 4Degrees Colocation

1 Current assets less current liabilities
2 Long-term assets less long-term liabilities
3 Long-term liabilities less long-term assets

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2019, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 13 below shows a summary of these contractual obligations.

Table 13
Contractual obligations of Quebecor as of December 31, 2019
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,986.1**	$ 57.2	$ 1,094.1	$ 2,480.4	$ 2,354.4
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments[3]	**1,514.9**	253.3	616.3	314.2	331.1
Lease liabilities	**137.9**	31.3	40.7	22.3	43.6
Interest payments on lease liabilities	**44.5**	6.5	9.2	6.2	22.6
Additions to property, plant and equipment and other commitments	**1,672.3**	462.8	480.8	306.5	422.2
Derivative financial instruments[4]	**(607.8)**	1.6	(236.6)	(397.8)	25.0
Total contractual obligations	**$ 8,897.9**	**$ 812.7**	**$ 2,004.5**	**$ 2,881.8**	**$ 3,198.9**

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 Based on the market value at December 31, 2019 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of $26.85 per share and a ceiling price of $33.5625. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.

3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2019.

4 Estimated future receipts, net of disbursements, related to foreign exchange hedging using derivative financial instruments.

Significant commitments included in Table 13

Videotron has 20-year service sharing and exchange agreements with Rogers to build out and operate an LTE network in Québec and the Ottawa area. It also has an agreement with Comcast Corporation to develop an innovative IPTV solution, as well as agreements for the roll-out of LTE-A and 5G technologies and the purchase of mobile devices. As at December 31, 2019, the balance of those commitments stood at $894.1 million.

The Quebecor Media Out of Home division has agreements with various Québec transit commissions for the installation and maintenance of bus shelters, and for advertising rights on bus shelters and buses. As at December 31, 2019, the balance of those commitments stood at $113.8 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2019, the balance of those commitments stood at $518.3 million.

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $33.6 million in 2020, based on the most recent financial actuarial reports filed (contributions of $34.6 million were paid in 2019).

Related party transactions

The Corporation made sales to affiliated corporations in the amount of $3.8 million in 2019 ($2.8 million in 2018). These transactions were accounted for at the consideration agreed between parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of business, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 13 presents information on the Corporation’s capital stock as at February 10, 2020. In addition, 2,454,892 share options were outstanding as of February 10, 2020.

Table 13
Capital stock
(in shares and millions of Canadian dollars)

	February 10, 2020	
	Issued and outstanding	**Book value**
Class A Shares	**77,212,934**	**$ 8.6**
Class B Shares	**176,757,207**	**$ 1,043.4**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

In 2019, the Corporation purchased and cancelled 3,107,356 Class B Shares for a total cash consideration of $94.6 million (11,390,300 Class B Shares for a total cash consideration of $291.7 million in 2018). The excess of $76.3 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of deficit in 2019 ($257.6 million in 2018).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million (100,000 Class B Shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $12.7 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Increased competition from non-traditional sources

Quebecor Media faces technological substitution across all its key business segments. Due to ongoing technological developments, the distinction between broadcasting, Internet and cable and mobile telephony platforms is fading rapidly. For instance, content providers and studios are leveraging their content rights and pursuing strategies to deploy their own OTT distribution platform and reach consumers directly through the Internet. By doing so, they are less dependent on content aggregators, such as Videotron. The Internet, through cable and mobile devices, is generally an important broadcasting and distribution platform; an increasing number of Quebecor Media's customers are using mobile devices as their primary means of video entertainment, in direct competition with its cable business. In addition, mobile operators, with the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with Quebecor Media's Internet access business. Due to the converging nature of technological advances, Quebecor Media expects increasing competition from non-traditional businesses, which may affect its overall business strategy and could adversely affect its business, financial condition and results of operations.

Competition and technological development

In its cable business, Quebecor Media competes against incumbent local exchange carriers ("ILECs"). The primary ILEC competitor has rolled out its own IPTV service in the vast majority of the territory in which Quebecor Media operates. It has also secured licenses to operate video distribution services using video digital subscriber line ("VDSL") technology. In addition, some third-party Internet service providers ("ISPs") have launched Internet Protocol video services ("IP video services") in territories where Quebecor Media provides services.

The rapidly growing landscape of OTT content providers, many of which have substantial financial resources, now compete for viewership and a share of the monthly entertainment spend. Furthermore, the OTT content providers' attractive price points (which are in part due to the fact that they do not contribute financially to the Canadian traditional television business model or Internet infrastructure and are not subject to CRTC regulations) makes Quebecor Media's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition and results of operations. Also, foreign OTT content providers with no Canadian place of business are not required to charge federal and provincial sales tax (except in Alberta and Québec). Since Quebecor Media's clients, notably its Club illico subscribers, must be charged GST when they purchase Quebecor Media's services, Quebecor Media is at a competitive disadvantage.

Furthermore, Quebecor Media faces competition from illegal providers of cable television services and illegal access to non-Canadian direct broadcast satellite ("DBS") signal (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy).

In its Internet access business, Quebecor Media faces competition from several resellers who have access to the wholesale third party Internet access ("TPIA") service mandated by the CRTC. The recently CRTC mandated revised wholesale rates, if upheld by the Federal Court of Appeal, will provide TPIA providers with a cost structure that could lead to increased competition either from established TPIA providers or new entrants. These TPIA providers may also provide telephony and networking applications and have entered the IPTV market. Their market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where they have been particularly active and aggressively pricing their services.

Quebecor Media also competes against other ISPs offering residential and commercial Internet access services as well as fixed wireless access and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, often offering comparable download speeds to Quebecor Media's. In addition, satellite operators such as Xplornet are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in rural and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. Finally, certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with Quebecor Media in some of its local markets.

Quebecor Media's cable telephony business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of Voice over Internet Protocol ("VoIP") and cloud-based telephony. Some of these competitors are not facility-based and therefore have much lower infrastructure costs. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in its territory in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements, or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. Furthermore, the decisions to be taken by the CRTC with regards to a new regulatory framework for mobile services stand to have a significant impact on Quebecor Media's competitive environment, as Quebecor Media could see the emergence of non facility-based operators (mobile virtual network operators "MVNOs"). Quebecor Media may not be able to compete successfully in the future against existing and those potential new competitors; increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, a few of its competitors are offering special discounts to customers who subscribe to two or more of their services (cable television or IPTV, Internet access, landline and mobile telephony services). Should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing one subscriber for each of its services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Fierce price competition in all Quebecor Media's businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect Quebecor Media's ability to raise the price of its products and services in line with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operations.

Significant and rapid technological changes

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. Their introduction and pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media's existing assets. Quebecor Media's strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its networks, information technology systems and infrastructure, as well as the acquisition of spectrum to support growth in its customer base and its demands for increased bandwidth capacity and other services.

Quebecor Media must continually invest in its services, networks and technologies due to the rapid evolution of technologies, or it may required to acquire, develop or integrate new technologies. Improvements in its services depend on may factors. The cost of the acquisition, development or implementation of new technologies and spectrum could be significant and Quebecor Media's ability to fund such acquisition, development or implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition and results of operations.

5G technology is evolving rapidly and Canada's first standards-based commercial launches are expected in 2020. Smartphones are generally expected to support 5G technology in 2020. It is expected that 5G ecosystems will operate on multiple frequency bands, including the 600 MHz spectrum recently acquired by Videotron. However, 3.5 GHz spectrum is becoming a primary band for 5G mobile coverage. ISED Canada is expected to auction 3.5 GHz frequencies by late 2020 or early 2021. There is a risk that Quebecor Media may not be able to purchase the 3.5 GHz spectrum required to compete equally on network speeds and 5G capacity. Any such difficulty or inability to compete could have a material adverse effect on Quebecor Media's business, reputation, prospects, financial condition, and results of operations.

In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand and enhance its networks systems and services, including expenditures relating to advancements in LTE-Advanced/5G mobile technologies, network virtualisation and automation, Internet access, ultra-high-definition television, Internet of Things, IPTV and OTT delivery technology, as well as the introduction of virtual reality and home automation. Moreover, additional investments in Quebecor Media's business may not translate into incremental revenues, cash flows or profitability.

Ongoing access to spectrum

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage – in particular, the demand for faster and seamless usage of video and data across mobile and fixed devices. It is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; affordability of mobile devices; multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media may have to acquire additional spectrum in order to address this increased demand. The ability to acquire additional spectrum is dependent on the timing and the rules established by ISED Canada. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world and has established worldwide coverage. Should it be unable to extend its worldwide coverage, or to renew or substitute for those roaming agreements at their respective or better terms or on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if Quebecor Media is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition and results of operations could be adversely affected.

Higher handset costs and increasing BYOD customers

Quebecor Media's mobile telephony business model is based substantially on increasing monthly revenues while financing the cost of subscriber handsets over the term of their contract, similar to other Canadian wireless carriers. This model attracts customers and in exchange they commit to a term contract. However, the higher handset costs, in a price sensitive market, could negatively impact Quebecor Media's revenues, financial condition and results of operations. Furthermore, given the fact that its competitors benefit from higher purchasing volumes, they may have the ability to negotiate better prices from manufacturers of mobile devices, thus enabling them to recoup a larger share of their subscribers' monthly spending.

Furthermore, given the marginal technological advancements in mobile devices, consumers tend to conserve their mobile devices for longer periods of time, thereby increasing the number of BYOD customers. Such customers are under no contractual obligation to remain with a specific carrier. Also, new technologies now embedded in certain handset devices will, once widely adopted, allow customers to switch between carriers without the use of a carrier-provided Sim card. This could have a material adverse effect on Quebecor Media's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to implement its business strategies and finance its capital expenditure programs or other investment requirements, whether through cash from operations, additional borrowings or other sources of funding. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable and mobile networks. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies on its service territory. Should Quebecor Media seek to renew or renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, enhancing its advanced broadband network, pursuing enhanced content development, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its businesses. Quebecor Media may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased dependence on third party suppliers and service providers, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, and other factors described in this section. Any material failure to implement its strategies could have an adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating and capital expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

Consumer trends to abandon cable telephony and traditional television services

The recent trend towards mobile substitution (when users cancel their landline telephony services and opt for mobile telephony services only) is largely the result of the increasing mobile penetration rate in Canada. In addition, there is also a consumer trend to abandon, substitute or reduce traditional television services for Internet access services in order to stream directly from broadcasters and OTT content providers. Quebecor Media may not be successful in converting its existing cable telephony and cable television subscriber base to its mobile telephony services, its Internet access services or its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources, and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market, which might prevent it from attracting international talents.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement or upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may negatively impact overall customer experience and may lead to greater-than-expected operational challenges, costs and expenses, customer losses, and business disruption for Quebecor Media, all of which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

The media industry has experienced fundamental and permanent structural changes. The growth of the Internet has presented alternative content distribution options that compete with traditional media, and an increasing number of non-traditional providers are developing technologies to satisfy the demand for entertainment and information content. Furthermore, Quebecor Media's customers have an increased control over the manner, content and timing of their media consumption, including through new technologies that give consumers greater flexibility to fast forward or skip advertisements within Quebecor Media's programming. These alternative technologies and new content distribution options have increased audience fragmentation, reduced the Corporation's Media segment business' audience, readership and circulation levels and have had an adverse effect on advertising revenues from local, regional and national advertisers.

Advertising revenue is the primary source of revenue for the Corporation's Media segment. As a result of those structural changes, competition for advertising spend in traditional media comes mainly from digital media technologies, which have introduced a wide variety of media distribution platforms for consumers and advertisers. These new competitors also include digital advertising giants with greater financial resources and a controlling share of the online advertising market thus reducing demand in some segments of Quebecor Media's traditional media advertising inventories. Furthermore, the international consolidation of advertising agencies is disrupting the demand model as some of its clients now negotiate through these consolidated positions.

The continuous technological improvements to the Internet and the access to unlimited data, combined with higher download speeds, may continue to divert a portion of the Corporation's Media segment business' existing customer base from traditional media to digital media technology, which could adversely impact the demand for its services. The ability of the Corporation's Media segment to succeed over the long-term depends on various factors, including Quebecor Media's ability to attract advertisers and consumers to its online sites. In addition, even if successful, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of these digital initiatives through incremental revenues, cash flows or profitability.

As the media market continues to change and fragment, Quebecor Media expects its readership, circulation and audience to reduce and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Finally, Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of Quebecor Media's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in these sectors and in the real estate industry has had and may continue to have an adverse impact on the revenues and results of operations of the Corporation's Media segment.

Distribution, production and acquisition of original programming

The financial performance of its cable, Club illico and mobile services depends in large part on Quebecor Media's ability to distribute, on its platforms, a wide range of appealing video programming and on its ability to produce and acquire original content.

In its telecommunications business, Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates or its inability to pass rate increases through to its customers could have a material adverse effect on its business, prospects, results of operations and financial condition.

Increased competition in the television industry from local and foreign deregulated OTT content providers with access to substantial financial resources may result in a competitive disadvantage from a content perspective and may have a material adverse effect on Quebecor Media's business, prospects, revenues, financial conditions and results of operations. Notably, on September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years, while not required to charge provincial (except in Alberta and Québec) and federal sales taxes or to contribute financially to the Canadian traditional television business model or Internet infrastructure. This arrangement may place Quebecor Media at a competitive disadvantage in the market and exert an upward pressure on content price.

Launch of new products and services

Quebecor Media is investing in the launch of new products and services. During the period immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Single-clustered network

Quebecor Media provides its cable and IP television, Internet access, cable telephony and mobile telephony services through a primary headend and through 12 additional regional headends in a single-clustered network. Despite available emergency backup or replacement sites, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyber-attacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its networks until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material adverse effect on its financial condition.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, there can be no assurance that these measures will be effective to prevent violations or perceived violations of the law or ethical business practices. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Protection of personal data

The ordinary course of Quebecor Media's businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data in and hosted on its systems, or those belonging to its suppliers, including from intentional or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breach relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

Cybersecurity

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against signal interruption, unauthorized access to or use of sensitive data, including data of its customers, and to prevent data loss or theft, and although ever-evolving cyber-threats require Quebecor Media to continually evaluate and adapt its systems, infrastructure, networks and processes, Quebecor Media cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against all information security access by third parties or errors by employees or by third-party suppliers. Quebecor Media is also at risk from increasingly sophisticated phishing attacks, Sim swaps, fraudulent ports and other types of frauds. If Quebecor Media is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

The costs associated with a major cyber-attack could also include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. Quebecor Media's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the scope and limits of the insurance coverage it maintains.

Protection from piracy

Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its networks, digital programming, and Internet access services. It uses encryption technology to protect its cable signals and OTT service from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its networks, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Malicious and abusive Internet practices

Quebecor Media's cable, mobile and fibre-optic connectivity business customers utilize its networks to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its networks and its customers, including deterioration of service, excessive call volume to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its networks. Any significant loss of cable, mobile or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories providing geopolitical risk. An inability to maintain and enhance its existing IT systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, manage operating expenses and carry out operation without interruption, all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

Products and services supplied to Quebecor Media by third-party suppliers may contain latent security issues, including, but not limited to, software and hardware security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues could adversely impact its results of operations and financial condition.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include set-top boxes, gateways, mobile telephony handsets and network equipment, cable and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, licensed technological platforms, software, the "backbone" telecommunications network for Internet access and telephony services, and construction services for the expansion of and upgrades to its cable and mobile networks. These services and equipment are available from a single or limited number of suppliers and Quebecor Media therefore faces the risks of supply disruption, including due to geopolitical events, external events such as epidemics or pandemics, business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

Quebecor Media relies on its intellectual property, such as patents, copyrights, trademarks and trade secrets, as well as licenses and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. Quebecor Media may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if Quebecor Media is unable to obtain or continue to obtain licenses from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of Quebecor Media's intellectual property rights more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to Quebecor Media's. Also, Quebecor Media may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. Quebecor Media cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes, other labour protests and health risks affecting employees

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Health threats to employees resulting from epidemics and pandemics could adversely affect Quebecor Media's business, assets, financial conditions, results of operations and reputation.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes, gateways, mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are only partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2019, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2019, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $677.7 million on a consolidated basis.

Some of its suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, changed or increased regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as those could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In Quebecor Media's Telecommunications business, the competition to offer products in the best available retail commercial spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers to extend their presence on the market, while some have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and places it at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. Quebecor Media's wireless and cable operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses, to its competitors, or changes to the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

The CRTC has launched a comprehensive review of the wireless market. The Canadian Government has requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. This review could result in the introduction of mandatory resale in the wireless marketplace and the emergence of MVNOs in the mobile telephony industry. This material increase in competition in Quebecor Media's mobile telephony business could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

Provision of TPIAs with access to our cable network

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide TPIA providers with access to their networks at mandated cost-based rates. Numerous TPIA providers are interconnected to Quebecor Media's cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it gives to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Among other things, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. On August 15, 2019, the CRTC introduced a flat rate for wholesale Internet access independent of access speed and also ordered that new access and capacity rates be applied retroactively to March 31, 2016. Those new proposed rates are substantially lower than interim rates and could represent a retroactive reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. A coalition of cable companies (including Videotron) has filed appeals of this decision with the Federal Court of Appeal, the federal Cabinet and the CRTC itself. If the CRTC's decision is ultimately upheld in its current form, it will significantly reduce Videotron's wholesale Internet service revenues. In addition, it will significantly change the competitive landscape and will allow Internet resellers to adopt more aggressive pricing strategies in the retail market. This could lead to a loss of Quebecor Media's subscribers, affect its ability to recover the costs of providing these services, reduce the incentives to invest in its networks and have a material adverse effect on its ability to successfully compete.

License renewals

Videotron's AWS-1 licenses were renewed in December 2018 for a 20-year term. A public consultation to determine the license fees to be paid during the renewal term has not yet been initiated.

Videotron's other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz and 600 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, Quebecor Media expects that new licenses will be issued for subsequent terms through a renewal process, unless a breach of licence conditions by Videotron has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED Canada.

If, at the end of their respective term, the licenses are not renewed on acceptable terms, or at all, Quebecor Media's ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

In addition, the Canadian and provincial governments currently provide grants, incentives and tax credits to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of Quebecor Media's film production and audiovisual services business, content producers for its broadcasting operations, as well as its production and distribution business, finance a portion of their production budgets through these grants, incentives and tax credits. There can be no assurance that these grants, incentives and tax credits will continue at their present levels or at all, and if they are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions. Some producers may select locations other than Québec to take advantage of other tax credit programs. Other factors, such as director or star preference, may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, results of operations and financial condition.

Environmental laws and regulations and climate change

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on Quebecor Media's reputation and brands.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through one of its subsidiaries, certain properties located on a partially remediated former landfill. The operation and ownership of these properties carries an inherent risk of environmental and health and safety liabilities, including for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages. Quebecor Media may, from time to time, be involved in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, the effects of global climate change are increasing the severity and frequency of extreme weather-related events, and will likely result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include increased operational costs to maintain Quebecor Media's network operations during extreme weather events, and increased capital costs as a result of damage to its facilities and/or equipment.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2019, it had $5.99 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2019, it had more than $1.77 billion available for additional borrowings under its existing credit facilities on a consolidated basis, and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including Quebecor Media's Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and both Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders. As of December 31, 2019 approximately 73.67% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; and (ii) to achieve a targeted balance of fixed- and floating-rate debts. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 14
Description of derivative financial instruments
As of December 31, 2019
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3195	$ 139.2	US$ 105.5

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses on valuation and translation of financial instruments for 2019 and 2018 are summarized in Table 15.

Table 15
Loss on valuation and translation of financial instruments
((in millions of Canadian dollars)

		2019		2018
Loss on embedded derivatives related to convertible debentures	**$**	**5.7**	$	60.4
Other		**0.8**		0.9
	$	**6.5**	$	61.3

A gain on cash flow hedges of $73.8 million was recorded under "other comprehensive income" in 2019 (loss of $10.1 million in 2018).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2019 and December 31, 2018 were as follows:

Table 16
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

				2019				2018
Asset (liability)		**Carrying value**		**Fair value**		Carrying value		Fair value
Long-term debt[1]	**$**	**(5,986.1)**	**$**	**(6,376.2)**	$	(6,461.7)	$	(6,444.9)
Convertible debentures[2]		**(162.0)**		**(162.0)**		(150.6)		(150.6)
Derivative financial instruments[3]								
Foreign exchange forward contracts		**(2.1)**		**(2.1)**		6.7		6.7
Cross-currency interest rate swaps		**679.8**		**679.8**		880.3		880.3

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $635.5 million as of December 31, 2019 ($840.6 million in 2018) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $42.2 million as of December 31, 2019 ($46.4 million in 2018).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2019, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2019, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.7% as of December 31, 2018), while 7.2% of trade receivables were 90 days past their billing date (11.7% as of December 31, 2018).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2019 and 2018:

		2019		2018
Balance at beginning of year	**$**	**20.5**	$	21.1
Changes in expected credit losses charged to income		**18.8**		19.6
Write-off		**(19.7)**		(20.2)
Balance at end of year	**$**	**19.6**	$	20.5

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.2 years as of December 31, 2019 (5.1 years as of December 31, 2018) (see also "Contractual obligations" above).

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2019, and to hedge its exposure on certain purchases of set-top boxes, gateways, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2019 is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of $0.10	$	**1.2**	$	**38.8**
Decrease of $0.10		**(1.2)**		**(38.8)**

A variance of $0.10 in the 2019 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $2.9 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2019.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. As of December 31, 2019, after taking into account the hedging instruments, long-term debt was comprised of 93.9% fixed-rate debt (76.3% in 2018) and 6.1% floating-rate debt (23.7% in 2018).

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2019 was $3.3 million.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures (note 21), as of December 31, 2019, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of 100 basis points	$	**(1.5)**	$	**(18.0)**
Decrease of 100 basis points		**1.5**		**18.0**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2019 and 2018 is as follows:

Table 17
Capital structure of Quebecor
(in millions of Canadian dollars)

	2019	2018
Bank indebtedness	**$ 29.4**	$ 24.3
Long-term debt	**5,957.5**	6,428.2
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**15.8**	5.2
Lease liabilities	**137.9**	144.4
Derivative financial instruments	**(677.7)**	(887.0)
Cash and cash equivalents	**(14.0)**	(21.0)
Net liabilities	**5,598.9**	5,844.1
Equity	**$ 1,072.1**	$ 568.5

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is of the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation, establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to those provisions.

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a retroactive reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC's order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On November 22, 2019, the leave to appeal was granted by the Federal Court of Appeal and the interim stay of the CRTC's order granted by this court on September 27, 2019, was extended until a final ruling by the court is made. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as "Deferred revenues" in the consolidated balance sheets. Deferred revenues are usually recognized as revenues in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration is generally comprised of an upfront fee for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities' revenues as follows:

- operating revenues from subscriber services, such as cable television, Internet access, cable and mobile telephony, and OTT video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- cable connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities' revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment leasing revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from the distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities' revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;

- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU. Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2019 was $2.69 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2019 was $741.1 million.

Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments.

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt; and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation uses interest rate swaps to manage fair value exposure on certain debts resulting from changes in interest rates. These swap agreements require a periodic exchange of payments without the exchange of the notional principal amount on which the payments are based. These interest rate swaps are designated as fair value hedges when they convert the interest rate from a fixed rate to a floating rate, or as cash flow hedges when they convert the interest rate from a floating rate to a fixed rate.
- The Corporation has established a hedge ratio of one for one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows.

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the hedged items’ cash flows.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation’s hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies.

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in “other comprehensive income” until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated "other comprehensive income" are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under “Impairment of assets.”

Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model, requiring management to assess the probabilities that the conditions on which the contingent considerations or the future conditional adjustments are based will be met in the future. The assessment of these contingent and conditional potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the CRTC and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions and income taxes in the consolidated financial statements.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation’s future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the term lease, less incentive payment received, using the Corporation's incremental borrowing rate at that date or interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interests on lease liabilities are recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

Changes in accounting policies

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related lease liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation’s segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under the previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		2018
Purchase of goods and services	$	(44.2)
Depreciation and amortization		32.9
Financial expenses		8.5
Restructuring of operations, litigation and other items		(0.7)
Deferred income tax expense		0.9
Net income and comprehensive income	$	2.6
Net income and comprehensive income attributable to:		
Shareholders	$	2.2
Non-controlling interests		0.4

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interests	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017

(i) IFRIC 23 - *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2019, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation's management during the financial period beginning October 1, 2019 and ending December 31, 2019.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;

- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital cable television, Internet access, mobile and cable telephony, and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- interruptions resulting from equipment breakdown, network failure, the threat of natural disaster, epidemics, pandemics and political instability is some countries;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the Corporation's public filings, available at <www.sedar.com> and <www.quebecor.com>, including, in particular, the "Risks and Uncertainties" section above.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of March 11, 2020 and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

March 11, 2020

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2019, 2018 and 2017
(in millions of Canadian dollars, except per share data)

	2019	2018[1]	2017[1]
Operations			
Revenues	**$ 4,293.8**	$ 4,181.0	$ 4,125.1
Adjusted EBITDA	**1,879.5**	1,776.3	1,659.5
Contribution to net income attributable to shareholders:			
Continuing operations	**581.0**	469.8	348.2
Loss on valuation and translation of financial instruments	**(6.1)**	(61.4)	(195.6)
Unusual items	**(19.6)**	(8.2)	223.3
Discontinued operations	**97.5**	3.5	14.8
Net income attributable to shareholders	**652.8**	403.7	390.7
Cash flows provided by continuing operating activities	**1,211.8**	1,424.0	1,193.4
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.27**	$ 1.96	$ 1.44
Loss on valuation and translation of financial instruments	**(0.02)**	(0.26)	(0.81)
Unusual items	**(0.08)**	(0.03)	0.92
Discontinued operations	**0.38**	0.02	0.06
Net income attributable to shareholders	**2.55**	1.69	1.61
Dividends	**0.39**	0.19	0.10
Equity attributable to shareholders	**3.84**	1.87	3.62
Weighted average number of shares outstanding (in millions)	**255.6**	239.3	241.8
Number of shares outstanding (in millions)	**254.6**	257.1	238.2
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.24**	$ 1.92	$ 1.31
Dilution impact	**0.03**	0.03	0.13
Loss on valuation and translation of financial instruments	**(0.02)**	(0.26)	(0.81)
Unusual items	**(0.08)**	(0.03)	0.92
Discontinued operations	**0.38**	0.02	0.06
Net income attributable to shareholders	**2.55**	1.68	1.61
Diluted weighted average number of shares (in millions)	**255.8**	239.8	242.1
Financial position			
Working capital[2]	**$ (79.7)**	$ (231.2)	$ 752.5
Long-term debt	**5,957.5**	6,428.2	5,536.6
Lease liabilities	**137.9**	144.4	167.9
Convertible debentures, including embedded derivatives	**165.8**	155.2	892.2
Equity attributable to shareholders	**977.5**	480.0	861.4
Equity	**1,072.1**	568.5	1,397.0
Total assets	**9,725.9**	9,657.5	10,108.7

[1] Comparative numbers have been restated to reflect the adoption of IFRS 16, *Leases* .
[2] Including cash and cash equivalent and bank indebtedness and excluding the current portion of long term debt, lease liabilities and convertible debentures.

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

				2019				2018
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31[1]	Sept. 30[1]	June 30[1]	March 31[1]
Revenues	**$ 1,136.2**	**$ 1,073.4**	**$ 1,056.9**	**$ 1,027.3**	$ 1,087.1	$ 1,053.2	$ 1,038.7	$ 1,002.0
Adjusted EBITDA	**494.5**	**509.3**	**455.0**	**420.7**	460.5	474.0	425.9	415.9
Contribution to net income attributable to shareholders:								
Continuing operating activities	**159.6**	**173.8**	**136.2**	**111.4**	132.9	141.5	105.9	89.5
(Loss) gain on valuation and translation of financial instruments	**(13.6)**	**5.6**	**16.3**	**(14.4)**	(11.5)	54.9	(75.7)	(29.1)
Unusual items	**(0.9)**	**(0.9)**	**(12.3)**	**(5.5)**	(5.0)	(10.2)	10.8	(3.8)
Discontinued operations	**-**	**-**	**-**	**97.5**	1.1	0.9	1.0	0.5
Net income attributable to shareholders	**145.1**	**178.5**	**140.2**	**189.0**	117.5	187.1	42.0	57.1
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.63**	**$ 0.68**	**$ 0.53**	**$ 0.44**	$ 0.52	$ 0.61	$ 0.45	$ 0.38
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**0.02**	**0.07**	**(0.06)**	(0.05)	0.24	(0.33)	(0.12)
Unusual items	**(0.01)**	**-**	**(0.05)**	**(0.02)**	(0.02)	(0.05)	0.05	(0.02)
Discontinued operations	**-**	**-**	**-**	**0.38**	0.01	-	0.01	-
Net income attributable to shareholders	**0.57**	**0.70**	**0.55**	**0.74**	0.46	0.80	0.18	0.24
Weighted average number of shares outstanding (in millions)	**254.8**	**255.6**	**255.9**	**256.0**	255.1	232.8	233.5	235.9
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.62**	**$ 0.67**	**$ 0.52**	**$ 0.43**	$ 0.51	$ 0.55	$ 0.40	$ 0.34
Dilution impact	**0.01**	**-**	**-**	**0.01**	0.01	-	0.05	0.04
(Loss) gain on valuation and translation of financial instruments	**(0.05)**	**-**	**-**	**(0.06)**	(0.05)	-	(0.33)	(0.12)
Unusual items	**(0.01)**	**-**	**(0.05)**	**(0.02)**	(0.02)	(0.04)	0.05	(0.02)
Discontinued operations	**-**	**-**	**-**	**0.38**	0.01	-	0.01	-
Net income attributable to shareholders	**0.57**	**0.67**	**0.47**	**0.74**	0.46	0.51	0.18	0.24
Weighted average number of diluted shares outstanding (in millions)	**255.0**	**261.7**	**262.1**	**256.5**	255.5	268.8	239.4	236.3

[1] Comparative numbers have been restated to reflect the adoption of IFRS 16, *Leases.*

This is Exhibit 58 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

MANAGEMENT DISCUSSION AND ANALYSIS
2020

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company that owns all of the shares of Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and wireline telephony; Internet access; television; the Club illico over-the-top ("OTT") video service ("Club illico"); business telecommunications solutions; broadcasting; soundstage and equipment rental; audiovisual content production and distribution; newspaper publishing and distribution; digital news and entertainment platforms; music streaming; book and magazine publishing and distribution; music production and distribution; out-of-home advertising; operation and management of a world-class arena and an entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production, and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a leading mobile and wireline communications provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Corporation uses non-IFRS measures and key performance indicators. In 2020, the Corporation reviewed the nature and definition of some of its non-IFRS measures. As a result, "cash flows from segment operations" was abandoned and replaced by the new "cash flows from operations" metric. The Corporation also added the "consolidated net debt leverage ratio" measure. Definitions of the non-IFRS measures and key performance indicators used by the Corporation are provided in the "Non-IFRS Measures" and "Key Performance Indicators" sections. Descriptions of the changes to non-IFRS measures made by the Corporation in 2020 are also provided.

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential, across Québec. The Québec government subsequently implemented a gradual reopening plan, which was followed at the end of December 2020 by new restrictions and the suspension of some business activities due to the second wave of the pandemic. This health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments in 2020. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a significant reduction in volume at Videotron retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease in sports events broadcast by the TVA Sports specialty channel, and reduced film and audiovisual content activity in the Media segment; and the cancellation of most shows and events, and the interruption of music and book distribution activities in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Because of the slowdown in the economy, approximately 10% of Quebecor's workforce have received benefits in 2020 under the Corporation's assistance program. During the health crisis, this program provides financial assistance to employees temporarily laid off or to employees on stand-by in addition to the Canadian wage subsidy programs. Due to significant decreases in their revenues, most of the business units in the Media segment and Sports and Entertainment segment qualified for the Emergency Wage Subsidy, and subsidies totalling $49.6 million were recorded in 2020 as a reduction in employee costs, including $29.0 million in TVA Group Inc ("TVA Group"), $7.5 million in Sports and Entertainment, $4.6 million in newspapers, $3.1 million in Quebecor Media Sales and $2.9 million in NumériQ. Given the uncertainty about the evolution of the pandemic, the full impact of the health crisis over its duration cannot be determined with certainty.

The impact of the COVID-19 health crisis on the operating results of the Corporation's business segments in 2020 is analyzed in greater detail in the "Segmented Analysis" section below. It is difficult at this stage to foresee all the consequences of this crisis until the situation returns to normal. The health crisis could have a material adverse impact on the growth of the Corporation's operating results and cash flows in the short and medium terms. As a result, the growth recorded during the quarters preceding the health crisis may not be indicative of future growth.

HIGHLIGHTS

2020 financial year

Revenues: $4.32 billion, a $24.0 million (0.6%) increase.

Adjusted EBITDA: $1.95 billion, a $73.1 million (3.9%) increase.

Net income attributable to shareholders: $607.2 million ($2.41 per basic share) in 2020, a decrease of $45.6 million ($0.14 per basic share).

Adjusted income from continuing operating activities: $594.5 million ($2.36 per basic share) in 2020, an increase of $13.5 million ($0.09 per basic share).

Cash flows from operations: $1.31 billion in 2020, a $168.3 million (14.7%) increase.

Cash flows provided by continuing operating activities: $1.43 billion in 2020, a $219.7 million (18.1%) increase.

Consolidated net debt leverage ratio: 2.68x at December 31, 2020 compared with 2.91x at December 31, 2019.

Fourth quarter 2020

Revenues: $1.15 billion, a $10.6 million (0.9%) increase.

Adjusted EBITDA: $526.8 million, a $32.3 million (6.5%) increase.

Net income attributable to shareholders: $159.8 million ($0.64 per basic share) in the fourth quarter of 2020, a favourable variance of $14.7 million ($0.07 per basic share).

Adjusted income from continuing operating activities: $165.0 million ($0.66 per basic share) in the fourth quarter of 2020, a $5.4 million increase.

Cash flows from operations: $345.2 million, an $84.7 million (32.5%) increase.

Cash flows provided by continuing operating activities: $377.0 million, a $13.9 million increase.

Table 1
Consolidated summary of income, cash flows and balance sheet
(in millions of Canadian dollars, except number of shares and per basic share data)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Income					
Revenues					
Telecommunications	**$ 3,622.6**	$ 3,480.4	$ 3,382.0	**$ 940.9**	$ 908.6
Media	**650.5**	738.0	728.6	**185.8**	208.0
Sports and Entertainment	**158.0**	192.2	182.1	**48.8**	54.7
Inter-segment	**(113.3)**	(116.8)	(111.7)	**(28.7)**	(35.1)
	4,317.8	4,293.8	4,181.0	**1,146.8**	1,136.2
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**1,864.4**	1,803.4	1,715.6	**481.7**	462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Depreciation and amortization	**(803.2)**	(750.4)	(753.1)	**(213.5)**	(186.3)
Financial expenses	**(328.2)**	(327.5)	(332.0)	**(79.1)**	(81.4)
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes	**(205.8)**	(205.7)	(162.8)	**(58.1)**	(60.3)
Income from discontinued operations	**33.2**	97.5	3.8	**(0.6)**	–
Net income	**$ 617.4**	$ 658.3	$ 441.8	**$ 168.5**	$ 150.3
Income from continuing operating activities attributable to shareholders	**$ 574.0**	$ 555.3	$ 400.2	**$ 160.4**	$ 145.1
Net income attributable to shareholders	**607.2**	652.8	403.7	**159.8**	145.1
Adjusted income from continuing operating activities	**594.5**	581.0	469.8	**165.0**	159.6
Per basic share:					
Income from continuing operating activities attributable to shareholders	**2.28**	2.17	1.67	**0.64**	0.57
Net income attributable to shareholders	**2.41**	2.55	1.69	**0.64**	0.57
Adjusted income from continuing operating activities	**2.36**	2.27	1.96	**0.66**	0.63

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Additions to property, plant and equipment and to intangible assets:					
Telecommunications	**$ 596.1**	$ 678.1	$ 720.2	**$ 164.6**	$ 214.2
Media	**38.0**	50.0	33.8	**14.8**	18.4
Sports and Entertainment	**3.4**	4.9	5.0	**0.9**	0.8
Head Office	**2.7**	2.4	5.0	**1.3**	0.6
	640.2	735.4	764.0	**181.6**	234.0
Acquisition of spectrum licences	**–**	255.8	–	**–**	–
Cash flows:					
Cash flows from operations					
Telecommunications	**1,268.3**	1,125.3	995.4	**317.1**	248.5
Media	**44.2**	24.8	26.2	**30.8**	16.9
Sports and Entertainment	**5.3**	2.4	5.5	**1.2**	1.8
Head Office	**(5.4)**	(8.4)	(14.8)	**(3.9)**	(6.7)
	1,312.4	1,144.1	1,012.3	**345.2**	260.5
Cash flows provided by continuing operating activities	**1,431.5**	1,211.8	1,424.0	**377.0**	363.1
Dividends declared	**201.1**	100.3	46.3	**49.8**	28.7
Dividends declared per basic share	**0.80**	0.39	0.19	**0.20**	0.11
Balance sheet:					
Cash and cash equivalents	**$ 136.7**	$ 14.0	$ 21.0	$	
Working capital	**(33.4)**	(161.4)	(291.9)		
Total assets	**9,861.6**	9,725.9	9,657.5		
Total debt (current and long-term)	**5,773.4**	5,957.5	6,428.2		
Lease liabilities	**173.3**	137.9	144.4		
Convertible debentures, including embedded derivatives	**156.5**	165.8	155.2		
Equity attributable to shareholders	**1,112.6**	977.5	480.0		
Equity	**1,214.1**	1,072.1	568.5		
Number of common shares outstanding (in millions)	**248.2**	254.6	257.1		
Consolidated net debt leverage ratio	**2.68x**	2.91x	3.22x		

Telecommunications

- The Telecommunications segment grew its revenues by $142.2 million (4.1%) and its adjusted EBITDA by $61.0 million (3.4%) in 2020.
- Videotron significantly increased its revenues from customer equipment sales ($139.1 million or 51.6%), mobile telephony ($57.8 million or 9.6%), and Internet access ($17.1 million or 1.5%) in 2020.
- Videotron's total average billing per unit ("ABPU") was $49.94 in 2020, compared with $50.00 in 2019, a $0.06 (-0.1%) decrease. Mobile ABPU was $50.85 in 2020, compared with $52.56 in 2019, a $1.71 (-3.3%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of bring your own device ("BYOD") plans.
- There was a net increase of 71,700 revenue generating units ("RGU") (1.2%) in 2020, including 150,600 connections (11.3%) to the mobile telephony service, 69,500 subscriptions (4.0%) to the Internet access service and 10,400 subscriptions (2.3%) to Club illico.

- On December 15, 2020, Videotron announced the launch of its 5G network, with service to be phased in first in the City of Montréal and then rolled out in other parts of Québec. This state-of-the-art technology offers customers faster upload and download speeds and supports the introduction of new applications.
- From March 13 through June 30, 2020, and December 20, 2020 through January 3, 2021, Videotron suspended data caps on all of its customers' residential and business Internet plans to support the implementation of effective teleworking arrangements at Québec businesses and enable customers to stay connected with loved ones during the COVID-19 pandemic. From March 13 to June 30, 2020, Videotron also cancelled roaming charges outside Canada and the Daily Traveller Pass fee.
- Videotron placed first in the Technology and Telecommunications category in the BIP Recherche-ICO awards for the most trusted organizations of the past decade, announced by the Institut de la confiance dans les organisations (ICO) on March 11, 2020. Videotron was also on the 2020 list of Montréal's Top Employers released by Mediacorp Canada Inc. on January 30, 2020.

Media

- On September 30, 2020, TVA Group announced that Mels Studios and Postproduction G.P. had obtained Dolby Atmos Home Entertainment 9.1.4 certification, a Canadian first. Dolby reserves this certification for companies that meet the highest standards in order to provide moviegoers around the world with optimal sound quality.
- According to the fall 2020 Vividata survey, *Le Journal de Montréal* and *Le Journal de Québec* remain Québec's news leaders with more than $3.7 million readers per week on all platforms (print, mobile and Internet). TVA Group remains a leading player in the Canadian magazine industry with an average of more than 8.3 million readers on all platforms.

Sports and Entertainment

- On February 10, 2021, the Sports and Entertainment segment announced the acquisition of Les Disques Audiogramme inc. The addition of the largest independent French-language record label in North America positions the segment to continue supporting talented Québec artists and disseminating and promoting Québec music.
- On June 17, 2020, the Sports and Entertainment segment announced the acquisition of the Théâtre Capitole in Québec City. The acquisition of the unique, hundred-year-old, 1,300-seat venue will enhance the Québec City entertainment scene.

Financial transactions

- On February 24, 2021, the Board of Directors of Quebecor declared a quarterly dividend of $0.275 per share on its Class A Multiple Voting Shares ("Class A Shares") and Class B Subordinate Voting Shares ("Class B Shares"). The 38% increase is in line with the Corporation's dividend target of 30% to 50% of free cash flows.
- On February 11, 2021, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2021 to February 2022 and amend certain terms and conditions. On February 21, 2020, TVA Group had lowered the limit on the facility from $150.0 million to $75.0 million and amended certain terms and conditions.
- On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031, for net proceeds of $644.1 million, net of financing fees of $5.9 million. Videotron intends to use the proceeds from this offering for general corporate purposes, including, without limitation, the repayment of a portion of its current debt.
- Quebecor's $50.0 million revolving credit facility expired on July 15, 2020 and was not renewed.

TREND INFORMATION

Competition continues to intensify in the mobile and wireline telephony, Internet access, television and OTT markets. Due to ongoing technological developments, the distinction between those platforms is fading rapidly and the Corporation expects increasing competition from non-traditional businesses across its key business segments. Competition also comes from wholesale Internet resellers. These resellers purchase large companies' high-speed access services to offer their own services to customers. Thus, the subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and wireline networks, the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium term to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to the roll-out of LTE-Advanced/5G technologies. In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's ability to support this traffic. The Corporation will have to acquire additional spectrum in the future to meet the growing demand.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

The Media industry has been experiencing fundamental and permanent structural changes. Generalized audience fragmentation has prompted many advertisers to review their media placement strategies and turn a significant part of their advertising budgets over to international competitors operating solely in digital media. In the broadcasting industry, audiences are increasingly fragmented as viewing habits have shifted toward Internet-based content delivery platforms that allow users greater control over content and timing, such as the OTT video services. The Corporation's Media segment has taken steps in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

Moreover, newspaper and magazine circulation, measured in terms of copies sold, has been declining in that industry over the past several years. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations have developed their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required to expand the Sports and Entertainment segment despite not operating in a major market.

In the books and music businesses, digital technology has disrupted buying and consuming habits, particularly with the emergence of vehicles such as music streaming and e-books, which compete with conventional formats. The Corporation recently developed its own music streaming service, which prominently features Québec music in addition to its international catalogue.

INTEREST IN SUBSIDIARIES

As of December 31, 2020, Quebecor held all the shares of Quebecor Media.

Table 2 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2020.

Table 2
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2020

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles inc.	100.0 %	100.0 %

Quebecor Media's interest in its subsidiaries has not varied over the past three years.

2020/2019 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.32 billion, a $24.0 million (0.6%) increase.

- Revenues increased in Telecommunications ($142.2 million or 4.1% of segment revenues).
- Revenues decreased in Media ($87.5 million or -11.9% of segment revenues) and in Sports and Entertainment ($34.2 million or -17.8%).

Adjusted EBITDA: $1.95 billion, a $73.1 million (3.9%) increase.

- Adjusted EBITDA increased in Telecommunications ($61.0 million or 3.4% of segment adjusted EBITDA), Media ($7.4 million or 9.9%), and Sports and Entertainment ($1.4 million or 19.2%).
- There was a favourable variance at Head Office ($3.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $1.5 million favourable variance in the stock-based compensation charge in 2020 compared with 2019. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $7.2 million favourable variance in the Corporation’s stock-based compensation charge in 2020.

Net income attributable to shareholders: $607.2 million ($2.41 per basic share) in 2020, compared with $652.8 million ($2.55 per basic share) in 2019, a decrease of $45.6 million ($0.14 per basic share).

- The main unfavourable variances were:
    - $64.3 million decrease in income from discontinued operations;
    - $52.8 million increase in the depreciation and amortization charge;
    - $10.6 million unfavourable variance in the charge for restructuring of operations and other items.
- The main favourable variances were:
    - $73.1 million increase in adjusted EBITDA;
    - $14.5 million favourable variance in gains and losses on valuation and translation of financial instruments, including $15.0 million without any tax consequences.

Adjusted income from continuing operating activities: $594.5 million ($2.36 per basic share) in 2020, compared with $581.0 million ($2.27 per basic share) in 2019, an increase of $13.5 million ($0.09 per basic share).

Cash flows from operations: $1.31 billion in 2020, a $168.3 million (14.7%) increase due to a $67.8 million decrease in additions to property, plant and equipment, a $27.4 million decrease in additions to intangible assets, and the $73.1 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $1.43 billion in 2020, a $219.7 million (18.1%) increase due primarily to the favourable net change in non-cash balances related to operating activities and the increase in adjusted EBITDA, partially offset by the increase in current income taxes and the increase in the cash portion related to restructuring of operations and other items.

Depreciation and amortization charge: $803.2 million in 2020, an $52.8 million increase due mainly to the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including the amortization of intangible assets related to investments in the Helix platform, and the impact of the revision of the depreciation period for some capital assets in the Telecommunications segment in consideration of technological developments, partially offset by lower spending related to the leasing of set-top boxes.

Financial expenses: $328.2 million in 2020, a $0.7 million increase. The impact of higher average interest rate on the long-term debt was offset by lower average indebtedness.

Gain on valuation and translation of financial instruments: $8.0 million in 2020 compared with a $6.5 million loss in 2019. The $14.5 million favourable variance was due to a $15.0 million favourable variance, without any tax consequences, in the gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $39.2 million in 2020 compared with $28.6 million in 2019, a $10.6 million increase.

- A $30.7 million net restructuring charge was recognized in 2020 in connection with cost-reduction initiatives in the Corporation's various segments ($9.8 million in 2019). An $8.5 million charge for impairment of assets was also recognized in 2020 in connection with restructuring initiatives ($18.8 million in 2019).

Income tax expense: $205.8 million in 2020 (effective tax rate of 26.4%), compared with $205.7 million in 2019 (effective tax rate of 26.6%), a $0.1 million unfavourable variance.

Segmented Analysis

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is the largest cable operator in Québec and the third-largest in Canada by customer base. Its state-of-the-art network passes 2,994,700 homes and businesses. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones; Internet access service; digital television distribution services, including video-on-demand, pay-per-view and pay TV; wireline telephony services; and Club illico. Videotron also includes Videotron Business, a full-service business telecommunications provider that offers mobile and wireline telephony, high-speed data transmission, Internet access and television services. Videotron also offers Helix, a technology platform launched in August 2019 that is revolutionizing entertainment and home management with voice remote, ultra-intelligent Wi-Fi and support for home automation. On December 15, 2020, Videotron announced the launch of its 5G network, state-of-the-art technology that offers customers faster upload and download speeds and supports the introduction of new applications.

2020 operating results

Revenues: $3.62 billion in 2020, a $142.2 million (4.1%) increase.

- Revenues from the mobile telephony service increased $57.8 million (9.6%) to $658.5 million, due primarily to an increase in the number of subscriber connections, partially offset by a decrease in average per-subscriber revenues.
- Revenues from Internet access services increased $17.1 million (1.5%) to $1.13 billion, due mainly to an increase in the customer base, partially offset by a decrease in average per-subscriber revenues.
- Revenues from television services decreased $70.8 million (-7.3%) to $903.6 million, due primarily to the impact of the net decrease in the customer base.
- Revenues from the wireline telephony service decreased $2.7 million (-0.8%) to $338.4 million, mainly because of the impact of the net decrease in subscriber connections, largely offset by higher average per-connection revenues due in part to increases in some rates.
- Revenues from customer equipment sales increased $139.1 million (51.6%) to $408.9 million, mainly because of the impact of equipment sales related to the Helix platform launched on August 27, 2019 and higher sales of mobile devices.
- Other revenues increased $1.7 million (0.9%) to $181.8 million, mainly reflecting higher revenue at Club illico.

Total ABPU: Videotron's total ABPU was $49.94 in 2020 compared with $50.00 in 2019, a $0.06 (-0.1%) decrease. Mobile ABPU was $50.85 in 2020, compared with $52.56 in 2019, a $1.71 (-3.3%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of BYOD plans.

Customer statistics

RGUs – The total number of RGUs was 6,147,900 at December 31, 2020, an increase of 71,700 (1.2%) in 2020 compared with an increase of 85,900 in 2019 (Table 3).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,481,100 at December 31, 2020, an increase of 150,600 (11.3%) in 2020 compared with an increase of 176,700 in 2019 (Table 3).

Internet access – The number of subscribers to the Internet access service stood at 1,796,800 at December 31, 2020, an increase of 69,500 (4.0%) in 2020 compared with an increase of 22,800 in 2019 (Table 3). As of December 31, 2020, Videotron's Internet access services had a household and business penetration rate (number of subscribers as a proportion of the total 2,994,700 homes and businesses passed by Videotron's network as of December 31, 2020, up from 2,950,100 one year earlier) of 60.0% compared with 58.6% a year earlier.

Television – The number of subscribers to television services stood at 1,475,600 at December 31, 2020, a decrease of 56,200 (-3.7%) in 2020 compared with a decrease of 65,500 in 2019 (Table 3). At December 31, 2020, the television service had a household and business penetration rate of 49.3% versus 51.9% a year earlier.

Wireline telephony – The number of subscriber connections to the wireline telephony service stood at 924,700 at December 31, 2020, a decrease of 102,600 (-10.0%) in 2020 compared with a decrease of 86,600 in 2019 (Table 3). As of December 31, 2020, the wireline telephony service had a household and business penetration rate of 30.9% versus 34.8% a year earlier.

Club illico – The number of subscribers to Club illico stood at 469,700 at December 31, 2020, an increase of 10,400 (2.3%) in 2020 compared with an increase of 38,500 in 2019 (Table 3).

Table 3
Telecommunications segment year-end RGUs (2016-2020)
(in thousands of customers)

	2020	2019	2018	2017	2016
Mobile telephony	**1,481.1**	1,330.5	1,153.8	1,024.0	893.9
Internet	**1,796.8**	1,727.3	1,704.5	1,666.5	1,612.8
Television	**1,475.6**	1,531.8	1,597.3	1,640.5	1,690.9
Wireline telephony	**924.7**	1,027.3	1,113.9	1,188.5	1,253.1
Club illico	**469.7**	459.3	420.8	361.6	314.7
Total	**6,147.9**	6,076.2	5,990.3	5,881.1	5,765.4

Adjusted EBITDA: $1.86 billion, a $61.0 million (3.4%) increase due primarily to:

- impact of the net revenue increase.

Partially offset by:

- net increase in operating expenses, due mainly to cost increases related to the popularity of the Helix platform, which continues to grow, partially offset by the impact of prudent management of other costs.

The unfavourable variance in the comparative results caused by recognition of a one-time gain in 2019 was partially offset by a favourable variance due to the updating of certain provisions in 2020.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.5% in 2020 compared with 48.2% in 2019.

Cash flows from operations: $1.27 billion in 2020 compared with $1.13 billion in 2019 (Table 15). The $143.0 million (12.7%) increase was due primarily to a $57.2 million decrease in additions to property, plant and equipment, mainly attributable to lower spending related to the leasing of set-top boxes and the postponement of some investments during the COVID-19 pandemic, as well as a $24.8 million decrease in additions to intangible assets, also due to the postponement of some investments, and the $61.0 million increase in adjusted EBITDA.

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network, as well as the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI ET CIE, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates. As well, TVA Group is engaged in commercial production and custom publishing. In addition to linear television, TVA Network and the specialty channels broadcast on-demand and streaming content over multiplatform applications, including the TVA+ website and mobile app, which provide free access to TVA Network programs, some specialty channel content, and original content.

Through its subsidiaries, TVA Group owns Mels Studios and Postproduction G.P. and Mels Dubbing Inc., providers of soundstage, equipment and mobile unit rental, postproduction, dubbing and visual effects services to the film and television industries.

Through the companies in the Incendo Media inc. group (“Incendo Media”), TVA Group is engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 French- and English-language magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands. TVA Group is the largest magazine publisher in Québec.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, the free daily *24 heures* and the J5 app, which provides real-time access to news on mobile devices and tablets. The websites of the paid dailies, *journaldemontreal.com* and *journaldequebec.com*, lead the news sites in their markets with more than 4.9 million unique visitors per month (source: ComScore Canada Multi-platform, monthly average unduplicated, January to November 2020). According to corporate figures, the aggregate circulation of the Media segment's paid and free newspapers as of December 31, 2020 was approximately 1.8 million copies per week in print and electronic formats.

In addition, the Media segment includes NumériQ inc.("NumériQ"), which brings together digital strategy and content production assets that are harnessed to create digital platforms and content for the Corporation's various platforms, and operates a number of other digital brands, including *Le Guide de l'auto, Le sac de chips, Pèse sur Start, Silo 57* and *Tabloïd*. NumériQ also owns QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts, and the QUB musique music streaming platform.

The Corporation's apps and websites log a combined total of more than 7.1 million unique visitors per month in Canada (source: ComScore Inc., November 2020).

The Media segment is also engaged in printing newspapers, distributing newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties, Quebecor Media Sales, which offers Media segment customers integrated, diversified and complete advertising services, and Quebecor Content, which contributes to the creation, development, acquisition and distribution of television content and formats.

2020 operating results

Revenues: $650.5 million in 2020, an $87.5 million (-11.9%) decrease.

- Advertising revenues decreased by $54.1 million (-15.9%), mainly because of lower advertising revenues at TVA Network, the newspapers, magazines, specialty channels and Quebecor Out of Home, partly reflecting the impact of COVID-19.
- Other revenues decreased $23.1 million (-12.3%), due primarily to a decrease in revenues from film and audiovisual services because of the suspension of film shoots during the COVID-19 pandemic, as well as a decrease in magazine distribution revenues.
- Subscription revenues decreased by $10.3 million (-4.9%), mainly because of lower subscription revenues at the magazines and newspapers.

Adjusted EBITDA: $82.2 million in 2020, a $7.4 million (9.9%) increase. A decrease in labour costs due to the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, decreases in broadcast content costs, and decreases in production, distribution, editorial and selling expenses were partially offset by the impact of the net revenue decrease.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 87.4% in 2020 compared with 89.9% in 2019. The decrease was mainly due to lower labour costs and broadcast content costs, as well as decreases in production, distribution, editorial and selling expenses.

Cash flows from operations: $44.2 million in 2020 compared with $24.8 million in 2019 (Table 15). The $19.4 million (78.2%) increase was due to a $12.0 million decrease in additions to property, plant and equipment and to intangible assets, and the $7.4 million increase in adjusted EBITDA.

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

The Sports and Entertainment segment also owns the Théâtre Capitole, a performance venue in Québec City where the segment rents out the space, exploits the advertising spaces, generates sponsorship revenues and operates the food concessions during events.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc.; Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses; and Messageries A.D.P. inc., which distributes print books and e-books, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in the distribution of CDs and videos (Distribution Select); the distribution of music to Internet music downloading and streaming services (Select Digital); music recording and video production (Disques Musicor); and concert and event production (Musicor Spectacles).

On February 10, 2021, the Sports and Entertainment segment announced the acquisition of Les Disques Audiogramme inc., the largest independent French-language record label in North America.

2020 operating results

Revenues: $158.0 million in 2020, a $34.2 million (-17.8%) decrease due primarily to lower revenues from music, from concerts at the Videotron Centre, from hockey and from sporting events caused in large part by the COVID-19 pandemic, partially offset by higher revenues from book publishing and distribution.

Adjusted EBITDA: $8.7 million in 2020, a $1.4 million (19.2%) increase due primarily to decreases in some operating expenses, including labour costs as a result of the impact of salary savings and government measures introduced to deal with the COVID-19 pandemic, and decreases in operating and production costs, partially offset by the impact of the decline in revenues.

Cash flows from operations: $5.3 million in 2020 compared with $2.4 million in 2019 (Table 15). The $2.9 million favourable variance was due primarily to the $1.4 million increase in adjusted EBITDA and a $1.5 million decrease in additions to property, plant and equipment and to intangible assets.

2020/2019 FOURTH QUARTER COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $1.15 billion, a $10.6 million (0.9%) increase.

- Revenues increased in Telecommunications ($32.3 million or 3.6%).
- Revenues decreased in Media ($22.2 million or -10.7% of segment revenues) and in Sports and Entertainment ($5.9 million or -10.8%).

Adjusted EBITDA: $526.8 million, a $32.3 million (6.5%) increase.

- Adjusted EBITDA increased in Telecommunications ($19.0 million or 4.1% of segment adjusted EBITDA) and in Media ($10.3 million or 29.2%).
- There was a favourable variance at Head Office ($3.5 million).
- Adjusted EBITDA decreased in Sports and Entertainment ($0.5 million or -19.2%).
- The change in the fair value of Quebecor Media stock options resulted in a $1.1 million favourable variance in the stock-based compensation charge in the fourth quarter of 2020 compared with the same period of 2019. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $3.3 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2020.

Net income attributable to shareholders: $159.8 million ($0.64 per basic share) in the fourth quarter of 2020, compared with $145.1 million ($0.57 per basic share) in the same period of 2019, a favourable variance of $14.7 million ($0.07 per basic share).

- The main favourable variances were:
  - $32.3 million increase in adjusted EBITDA;
  - $13.7 million favourable variance in losses on valuation and translation of financial instruments, including $12.6 million without any tax consequences.
- The main unfavourable variances were:
  - $27.2 million increase in the depreciation and amortization charge;
  - $4.5 million increase in the charge for restructuring of operations and other items.

Adjusted income from continuing operating activities: $165.0 million ($0.66 per basic share) in the fourth quarter of 2020, compared with $159.6 million ($0.63 per basic share) in the same period of 2019, a $5.4 million increase.

Cash flows from operations: $345.2 million, an $84.7 million (32.5%) increase due primarily to a $27.5 million decrease in additions to property, plant and equipment, a $24.9 million decrease in additions to intangible assets, and the $32.3 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $377.0 million, a $13.9 million increase due primarily to the net change in non-cash balances related to operating activities and the increase in adjusted EBITDA in the Telecommunications and Media segments, partially offset by the increase in current income taxes.

Depreciation and amortization charge: $213.5 million in the fourth quarter of 2020, an $27.2 million increase due mainly to the impact of the revision of the depreciation period for some capital assets in the Telecommunications segment in consideration of technological developments and the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including amortization of intangible assets related to investments in the Helix platform, partially offset by lower spending related to the leasing of set-top boxes.

Financial expenses: $79.1 million in the fourth quarter of 2020, a $2.3 million decrease caused mainly by lower average indebtedness and a favourable variance in gains and losses on foreign currency translation of short-term monetary items, partially offset by the impact of the higher average interest rate on the long-term debt.

Loss on valuation and translation of financial instruments: $0.9 million in the fourth quarter of 2020 compared with $14.6 million in the same period of 2019. The $13.7 million favourable variance was due to a $12.6 million favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $6.1 million in the fourth quarter of 2020 compared with $1.6 million in the same period of 2019, a $4.5 million unfavourable variance.

- A $4.9 million charge was recognized in the fourth quarter of 2020 in connection with cost-reduction initiatives in the Corporation's various segments ($1.6 million in the fourth quarter of 2019). In the fourth quarter of 2020, a $1.2 million charge for impairment of assets was also recognized in connection with various restructuring initiatives.

Income tax expense: $58.1 million in the fourth quarter of 2020 (effective tax rate of 25.6%), compared with $60.3 million in the same period of 2019 (effective tax rate of 27.0%), a $2.2 million favourable variance caused essentially by the impact of the decrease in taxable income.

Segmented Analysis

Telecommunications

Revenues: $940.9 million, a $32.3 million (3.6%) increase due essentially to the same factors as those noted above under “2020/2019 financial year comparison.”

- Revenues from the mobile telephony service increased $13.0 million (8.3%) to $170.2 million.
- Revenues from Internet access services increased $9.6 million (3.4%) to $292.3 million.
- Revenues from television services decreased $19.5 million (-8.1%) to $220.0 million.
- Revenues from wireline telephony service decreased $0.4 million (-0.5%) to $83.3 million.
- Revenues from customer equipment sales increased $28.8 million (28.9%) to $128.4 million.
- Other revenues increased $0.8 million (1.7%) to $46.7 million.

Total ABPU: Videotron’s total ABPU was $50.21 in the fourth quarter of 2020 compared with $$49.99 in the same period of 2019, a $0.22 (0.4%) increase. Mobile ABPU was $50.52 in the fourth quarter of 2020, compared with $51.89 in the same period of 2019, a $1.37 (-2.6%) decrease due in part to a decrease in overage and roaming revenues caused by the COVID-19 public health crisis and the popularity of BYOD plans.

Customer statistics

RGUs – 43,000 (0.7%) unit increase in the fourth quarter of 2020 compared with an increase of 21,800 in the same period of 2019.

Mobile telephony – 28,500 (2.0%) subscriber-connection increase in the fourth quarter of 2020 compared with an increase of 41,800 in the same period of 2019.

Internet access – 27,000 (1.5%) subscriber increase[1] in the fourth quarter of 2020 compared with an increase of 3,000 in the same period of 2019.

Television – 6,200 (-0.4%) subscriber decrease in the fourth quarter of 2020 compared with a decrease of 13,400 in the same period of 2019.

Wireline telephony – 23,100 (-2.4%) subscriber-connection decrease[2] in the fourth quarter of 2020 compared with a decrease of 25,400 in the same period of 2019.

Club illico – 16,800 (3.7%) subscriber increase in the fourth quarter of 2020 compared with an increase of 15,800 in the same period of 2019.

Adjusted EBITDA: $481.7 million, a $19.0 million (4.1%) increase due primarily to the impact of the net revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 48.8% in the fourth quarter of 2020 compared with 49.1% in the same period of 2019.

Cash flows from operations: $317.1 million in the fourth quarter of 2020 compared with $248.5 million in the same period of 2019 (Table 15). The $68.6 million increase was caused primarily by a $26.2 million decrease in additions to intangible assets due to the postponement of some investments during the COVID-19 pandemic, a $23.4 million decrease in additions to property, plant and equipment, also due to the postponement of some investments, and the $19.0 million increase in adjusted EBITDA.

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[1] The numbers for the end of the third quarter of 2020 have been lowered by 3,800 customers (reflecting reductions in customer growth of 2,500 and 1,300 in the first and second quarters of 2020 respectively) to correct an irregularity discovered in the RGU growth compilation systems.

[2] The numbers for the end of the third quarter of 2020 have been lowered by 3,100 subscriber connections (reflecting reductions in customer growth of 2,700 and 400 in the first and second quarters of 2020 respectively) to correct an irregularity discovered in the RGU growth compilation systems.

Media

Revenues: $185.8 million in the fourth quarter of 2020, a $22.2 million (-10.7%) decrease.

- Other revenues decreased $9.6 million (-16.6%) due primarily to a decrease in revenues from production and distribution, and from film and audiovisual services, because of the suspension of film shoots due to the COVID-19 pandemic, as well as a decrease in magazine distribution revenues.
- Advertising revenues decreased by $8.5 million (-8.9%), mainly because of lower advertising revenues at the newspapers, the speciality channels and TVA Network.
- Subscription revenues decreased by $4.1 million (-7.5%), mainly because of lower subscription revenues at the specialty channels and the magazines.

Adjusted EBITDA: $45.6 million in the fourth quarter of 2020, a $10.3 million (29.2%) favourable variance due primarily to:

- lower broadcasting content costs due, among other things, to the postponement of sporting events, decreases in some operating expenses, including labour costs, because of the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, and to lower production and distribution costs.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 75.5% in the fourth quarter of 2020 compared with 83.0% in the same period of 2019. The decrease was mainly due to the decrease in broadcast content costs.

Cash flows from operations: $30.8 million in the fourth quarter of 2020 compared with $16.9 million in the same period of 2019 (Table 15). The $13.9 million increase was mainly due to the $10.3 million increase in adjusted EBITDA and a $4.1 million decrease in additions to property, plant and equipment.

Sports and Entertainment

Revenues: $48.8 million in the fourth quarter of 2020, a $5.9 million (-10.8%) decrease due primarily to lower revenues from music, hockey, concerts at the Videotron Centre and sporting events because of the COVID-19 pandemic, partially offset by higher revenues from book distribution and publishing.

Adjusted EBITDA: $2.1 million in the fourth quarter of 2020, a $0.5 million (-19.2%) decrease due primarily to the impact of the decline in revenues, partially offset by decreases in some operating expenses, including labour costs as a result of the impact of salary savings and the government measures introduced to deal with the COVID-19 pandemic, and production costs.

Cash flows from operations: $1.2 million in the fourth quarter of 2020 compared with $1.8 million in the same period of 2019 (Table 15). The $0.6 million decrease was essentially due to the $0.5 million decrease in adjusted EBITDA.

2019/2018 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.29 billion, a $112.8 million (2.7%) increase.

- Revenues increased in Telecommunications ($98.4 million or 2.9% of segment revenues), Sports and Entertainment ($10.1 million or 5.5%) and Media ($9.4 million or 1.3%).

Adjusted EBITDA: $1.88 billion, a $103.2 million (5.8%) increase.

- Adjusted EBITDA increased in Telecommunications ($87.8 million or 5.1% of segment adjusted EBITDA).
- Adjusted EBITDA increased in Media ($14.8 million or 24.7%).
- There was a favourable variance at Head Office ($3.8 million), mainly due to lower stock-based compensation costs.
- Adjusted EBITDA decreased in Sports and Entertainment ($3.2 million or -30.5%).
- The change in the fair value of Quebecor Media stock options resulted in a $7.4 million favourable variance in the stock-based compensation charge in 2019 compared with 2018. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $1.6 million unfavourable variance in the Corporation’s stock-based compensation charge in 2019.

Net income attributable to shareholders: $652.8 million ($2.55 per basic share) in 2019, compared with $403.7 million ($1.69 per basic share) in 2018, an increase of $249.1 million ($0.86 per basic share).

- The main favourable variances were:
  - $103.2 million increase in adjusted EBITDA;
  - $93.7 million favourable variance in income from discontinued operations;
  - $54.8 million favourable variance in losses on valuation and translation of financial instruments, including $54.7 million without any tax consequences;
  - $32.6 million favourable variance in non-controlling interest.
- The unfavourable variance was mainly due to:
  - $42.9 million increase in the income tax expense.

Adjusted income from continuing operating activities: $581.0 million ($2.27 per basic share) in 2019, compared with $469.8 million ($1.96 per basic share) in 2018, an increase of $111.2 million ($0.31 per basic share) or 23.7%.

Cash flows from operations: $1.14 billion in 2019, a $131.8 million (13.0%) increase due to a $103.2 million increase in adjusted EBITDA and a $67.9 million decrease in additions to property, plant and equipment, partially offset by a $39.3 million increase in additions to intangible assets.

Cash flows provided by continuing operating activities: $1.21 billion in 2019, a $212.2 million (-14.9%) decrease due primarily to the unfavourable net change in non-cash balances related to operating activities, partially offset by the increase in adjusted EBITDA in the Telecommunications and Media segments and the decrease in current income taxes.

Depreciation and amortization charge: $750.4 million in 2019, a $2.7 million decrease.

Financial expenses: $327.5 million in 2019, a $4.5 million decrease. Reductions in financial expenses were caused mainly by lower interest on convertible debentures and a lower average interest rate on the debt. Additions to financial expenses were caused mainly by higher average indebtedness as a result of debt financing of a portion of the repurchase of the Quebecor Media shares held by CDP Capital d’Amérique Investissements inc., in the second quarter of 2018, and lower interest revenues generated by liquidity.

Loss on valuation and translation of financial instruments: $6.5 million in 2019 compared with $61.3 million in 2018. The $54.8 million favourable variance was due to a $54.7 million favourable variance, without any tax consequences, in losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $28.6 million in 2019, compared with $29.1 million in 2018.

- A $9.8 million net restructuring charge was recognized in 2019 in connection with cost-reduction initiatives in the Corporation's various segments ($14.2 million in 2018). An $18.8 million charge for impairment of assets was also recognized in 2019 in connection with restructuring initiatives ($14.9 million in 2018).

Income tax expense: $205.7 million in 2019 (effective tax rate of 26.6%), compared with $162.8 million in 2018 (effective tax rate of 24.6%), a $42.9 million unfavourable variance. The increase in the effective tax rates reflects the recognition of benefits arising from prior year tax losses in 2018. This increase in the tax rate, combined with the impact of the increase in taxable income for tax purposes, explains the increase in the income tax expense in 2019 compared with 2018. The effective tax rate is calculated considering only taxable and deductible items.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under “Trend Information” above, the risk analysis in the “Risks and Uncertainties” section below, and the discussion of the Corporation’s financial risks under “Financial Instruments and Financial Risk” below.

Operating activities

Cash flows provided by continuing operating activities: $1.43 billion in 2020 compared with $1.21 billion in 2019.

The $219.7 million increase was primarily due to:

- $269.3 million favourable net change in non-cash operating assets and liabilities, due primarily to favourable variances in income tax payable and accounts payable and accrued charges, partially offset by an increase in accounts receivable;
- $61.0 million increase in adjusted EBITDA in the Telecommunications segment.

Partially offset by:

- $100.8 million increase in current income taxes;
- $20.9 million increase in the cash portion of the charge for restructuring of operations and other items.

The favourable net variance in income tax payable and in other non-cash items and the increase in the Telecommunications segment’s profitability had a favourable impact on cash flows provided by continuing operating activities in 2020 compared with 2019.

Working capital: Negative $33.4 million at December 31, 2020 compared with negative $161.4 million at December 31, 2019. The $128.0 million favourable variance was due primarily to an increase in cash and cash equivalents provided by cash flows from operating activities, an increase in accounts receivable, a reduction in the short-term portion of long-term debt, a reduction in bank indebtedness, a decrease in deferred revenues and an increase in inventory, partially offset by an increase in accounts payable and accrued charges.

Investing activities

Cash flows used for additions to property, plant and equipment: $447.2 million in 2020 compared with $501.6 million in 2019. The $54.4 million reduction consists of $67.8 million due primarily to a decrease in investments related to set-top box rental and the postponement of some investments because of COVID-19, mainly in the Telecommunications segment, partially offset by a $13.4 million net unfavourable variance in current non-cash items.

Cash flows used for additions to intangible assets: $205.9 million in 2020 compared with $496.9 million in 2019. The $291.0 million reduction mainly reflects the impact of the purchase by Videotron of spectrum licences in the 600 MHz band for $255.8 million in 2019 and the postponement of some investments because of COVID-19, mainly in the Telecommunications segment, and a $7.8 million net favourable variance in current non-cash items.

Proceeds from disposal of assets: $4.4 million in 2020 compared with $4.2 million in 2019.

Business acquisitions: $47.1 million in 2020 compared with $35.6 million in 2019.

- Business acquisitions in 2020 consisted essentially of the acquisition of Télédistribution Amos inc. and its network in Abitibi-Témiscamingue in the Telecommunications segment, and of the Théâtre Capitole, a Québec City performance venue, in the Sports and Entertainment segment.
- In 2019, business acquisitions consisted of the acquisition of the companies in the Serdy Média inc., Serdy Video Inc. and Incendo Media groups in the Media segment.

Business disposals: $0.2 million in 2020 compared with $260.7 million in 2019.

- In 2019, business disposals consisted in the sale of the operations of the 4Degrees Colocation Inc. data centres (“4Degrees Colocation”).

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities: $782.8 million in 2020 compared with $473.3 million in 2019 (Table 16).

The $309.5 million increase was due primarily to:

- $219.7 million increase in cash flows provided by continuing operating activities;
- $54.4 million decrease in cash flows used for additions to property, plant and equipment;
- $35.2 million decrease in cash flows used for additions to intangible assets.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness)**:** $211.8 million reduction in 2020. $80.6 million net unfavourable variance in assets and liabilities related to derivative financial instruments.

- Debt reductions in 2020 essentially consisted of:
  - $116.1 million net reduction in drawings on the secured revolving credit facility of Videotron, TVA Group and Quebecor Media;
  - $71.4 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to cross-currency swap agreements entered under “Derivative financial instruments”;
  - $28.8 million decrease in the bank indebtedness of Quebecor Media and Videotron;
  - $12.8 million decrease in Quebecor’s debt.
- Additions to debt in 2020 essentially consisted of:
  - $7.7 million increase in debt attributable to changes in fair value related to hedged interest risk.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $597.1 million at December 31, 2020 compared with $677.7 million at December 31, 2019. The $80.6 million net unfavourable variance was mainly due to the unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments.
- On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031, for net proceeds of $644.1 million, net of financing fees of $5.9 million. Videotron intends to use the proceeds from this offering for general corporate purposes, including, without limitation, the repayment of a portion of its current debt.
- Quebecor’s $50.0 million revolving credit facility expired on July 15, 2020 and was not renewed.
- On February 11, 2021, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2021 to February 2022 and amend certain terms and conditions. On February 21, 2020, TVA Group had lowered the limit on the facility from $150.0 million to $75.0 million and amended certain terms and conditions.

Financial Position

Net available liquidity: $2.58 billion at December 31, 2020 for Quebecor and its wholly owned subsidiaries, pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021, consisting of available unused revolving credit facilities in the amount of $1.80 billion, and cash and cash equivalents of $781.5 million.

Consolidated debt (long-term debt plus bank indebtedness)**:** $5.78 billion at December 31, 2020, a $211.8 million decrease compared with December 31, 2019; $80.6 million net unfavourable variance in assets and liabilities related to derivative financial instruments (see “Financing activities” above).

- Consolidated debt essentially consisted of Videotron’s $4.11 billion debt ($4.25 billion at December 31, 2019); TVA Group’s $28.8 million debt ($44.9 million at December 31, 2019); Quebecor Media’s $1.59 billion debt ($1.64 billion at December 31, 2019); and Quebecor’s $45.9 million debt ($58.7 million at December 31, 2019).

Consolidated net debt leverage ratio: 2.68x at December 31, 2020 compared with 2.91x at December 31, 2019. The decrease was due primarily to net reductions in drawings on the revolving credit facilities and bank indebtedness, as the case may be, by Videotron, TVA Group, Quebecor Media and Quebecor, using free cash flows from continuing operating activities, and the increase in the trailing 12-month adjusted EBITDA.

As at December 31, 2020, minimum principal payments on long-term debt in the coming years are as follows:

Table 4
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2021	$	28.5
2022		1,062.5
2023		1,593.4
2024		763.5
2025		400.0
2026 and thereafter		1,938.5
Total	**$**	**5,786.4**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 4.3 years as of December 31, 2020 (4.9 years pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021) compared with 5.2 years as of December 31, 2019. After taking into account hedging instruments, debt consisted of approximately 96.1% fixed-rate debt (96.6% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 93.9% as at December 31, 2019, and 3.9% floating-rate debt (3.4% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 6.1% as at December 31, 2019.

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt repayments, pension plan contributions, share repurchases, and dividend payments to shareholders. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. The key indicators listed in those financing agreements include debt service coverage ratio and debt ratio (long-term debt over adjusted EBITDA). At December 31, 2020, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On February 24, 2021, the Board of Directors of Quebecor declared a quarterly dividend of $0.275 per share on its Class A Shares and Class B Shares, payable on April 6, 2021 to shareholders of record as of the record date of March 12, 2021.

Convertible debentures

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on November 4, 2020 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective November 19, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $26.20 per share (that is, a maximum number of approximately 5,724,218 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $32.76 per share (that is, a minimum number of approximately 4,579,374 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

Analysis of consolidated balance sheet at December 31, 2020

Table 5
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2020 and 2019
(in millions of Canadian dollars)

	Dec. 31, 2020	Dec. 31, 2019	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 136.7**	$ 14.0	$ 122.7	Impact of current variances in activity
Accounts receivable	**600.6**	548.0	52.6	Impact of current variances in activity
Property, plant and equipment	**3,189.2**	3,415.9	(226.7)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	**1,466.7**	1,444.0	22.7	Additions to intangible assets less amortization for the period
Goodwill	**2,714.0**	2,692.9	21.1	Acquisition of Télédistribution Amos and its network by the Telecommunications segment
Derivative financial instruments[1]	**597.1**	677.7	(80.6)	See “Financing Activities”
Other assets	**396.8**	248.7	148.1	Impact of current variances in operating and investing activities
Liabilities				
Accounts payable and accrued charges	**872.2**	809.6	62.6	Impact of current variances in activity
Long-term debt, including short-term portion and bank indebtedness	**5,775.1**	5,986.9	(211.8)	See “Financing Activities”
Deferred income taxes[2]	**802.7**	828.0	(25.3)	Impact of variances in activity on consolidated statement of income and consolidated statement of comprehensive income
Other liabilities	**422.8**	371.2	51.6	Loss on remeasurement of defined benefit plans, partially offset by an adjustment on the contingent consideration related to the sale of 4Degrees Colocation

1 Long-term assets less long-term liabilities.
2 Long-term liabilities less long-term assets.

ADDITIONAL INFORMATION

Contractual Obligations

At December 31, 2020, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 6 below shows a summary of these contractual obligations.

Table 6
Contractual obligations of Quebecor as of December 31, 2020
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 5,786.4**	$ 28.5	$ 2,655.9	$ 1,163.5	$ 1,938.5
Convertible debentures[2]	**150.0**	–	–	150.0	–
Interest payments[3]	**1,188.4**	246.9	471.0	251.6	218.9
Lease liabilities	**173.3**	34.3	52.9	29.8	56.3
Interest payments on lease liabilities	**48.5**	7.7	11.4	7.5	21.9
Additions to property, plant and equipment and other commitments	**1,355.4**	383.6	403.7	275.1	293.0
Derivative financial instruments[4]	**(538.0)**	1.6	(479.2)	(101.3)	40.9
Total contractual obligations	**$ 8,164.0**	**$ 702.6**	**$ 3,115.7**	**$ 1,776.2**	**$ 2,569.5**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.
2 Based on the market value at December 31, 2020 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of approximately $26.20 per share and a ceiling price of approximately $32.76. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2020.
4 Estimated future receipts, net of future disbursements, on derivative financial instruments related to foreign exchange hedging on the principal of U.S -dollars-denominated debt.

Significant commitments included in Table 6

Videotron has 20-year service sharing and exchange agreements with Rogers Communications Inc. to build out and operate an LTE network in Québec and the Ottawa area. It also has an agreement with Comcast Corporation to develop an innovative Internet Protocol Television (“IPTV”) delivery solution, as well as agreements for the roll-out of LTE-A and 5G technologies and the purchase of mobile devices. As at December 31, 2020, the balance of those commitments stood at $646.6 million.

The Quebecor Out of Home division has agreements with various Québec transit commissions for the installation and maintenance of bus shelters, and for advertising rights on bus shelters and buses. As at December 31, 2020, the balance of those commitments stood at $105.1 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2020, the balance of those commitments stood at $483.5 million.

Table 7 presents lease liabilities by segment at December 31, 2020 and December 31, 2019:

Table 7
Lease liabilities by segment
(in millions of Canadian dollars)

	Dec. 30, 2020	Dec. 31, 2019
Telecommunications	**$ 142.3**	$ 114.2
Media	**13.4**	13.5
Sports and Entertainment	**44.1**	40.8
Head Office	**(26.5)**	(30.6)
Total	**$ 173.3**	$ 137.9

Pension plan contributions

The expected employer contributions to the Corporation's defined benefit pension plans and post-retirement benefit plans will be $34.2 million in 2021, based on the most recent financial actuarial reports filed (contributions of $29.3 million were paid in 2020).

Related party transactions

The Corporation made sales to affiliated corporations in the amount of $3.7 million in 2020 ($3.8 million in 2019). These transactions were accounted for at the consideration agreed between parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items in the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of business, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued in the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 8 presents information on the Corporation's capital stock as at February 4, 2021. In addition, 3,630,959 share options were outstanding as of February 4, 2021.

Table 8
Capital stock
(in shares and millions of Canadian dollars)

	February 4, 2021		
	Issued and outstanding		**Book value**
Class A Shares	**77,039,034**	**$**	**8.6**
Class B Shares	**169,983,857**	**$**	**1,002.4**

On August 5, 2020, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On August 7, 2020, the Corporation announced that it had entered into an automatic securities purchase plan ("the plan") with a designated broker whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods. The plan received prior approval from the Toronto Stock Exchange. It came into effect on August 15, 2020 and terminates on the same date as the normal course issuer bid.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

In 2020, the Corporation purchased and cancelled 6,457,050 Class B Shares for a total cash consideration of $201.2 million (3,107,356 Class B Shares for a total cash consideration of $94.6 million in the same period of 2019). The excess of $163.1 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of $76.3 million in 2019).

In 2019, 680,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $8.3 million. Following this transaction, the contributed surplus was increased by $12.7 million and the stock option plan liability was reduced by the same amount.

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Increased competition from non-traditional sources

Quebecor Media faces technological substitution across all its key business segments. Due to ongoing technological developments, the distinction between broadcasting, Internet and wireline and mobile telephony platforms is fading rapidly. For instance, content producers and providers are leveraging their content rights and pursuing strategies to deploy their own OTT distribution platforms in order to reach consumers directly via the Internet. By doing so, content producers and providers are less dependent on content aggregators, such as Videotron. The Internet, including through mobile devices, provides an important broadcasting and distribution service. More specifically, an increasing number of Quebecor Media's customers are using mobile devices as their primary means of video entertainment; therefore, in direct competition with its television and Internet access services. In addition, mobile operators, through the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with Quebecor Media's Internet access service. Due to the converging nature of technological advances, Quebecor Media expects increasing competition from non-traditional businesses, which may affect its overall business strategy and could adversely affect its business, financial condition and results of operations.

Competition and technological development

In its television business, Quebecor Media competes against incumbent local exchange carriers ("ILECs") and third-party Internet access ("TPIA") providers. These competitors have rolled out their own IPTV service in the vast majority of the territory in which Quebecor Media operates.

The rapidly growing landscape of OTT content providers, many of which having substantial financial resources, now compete directly for viewership and a share of the monthly entertainment spend. Furthermore, the OTT content providers' attractive price points (which are in part due to the fact that they do not contribute financially to the Canadian traditional television business model or Internet infrastructure and are not subject to Canadian Radio-television and Telecommunications Commission ("CRTC") regulations) may make Quebecor Media's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place Quebecor Media at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition and results of operations. Also, foreign OTT content providers with no Canadian place of business are not required to charge federal and provincial sales tax (except in Saskatchewan and Québec). Given that Quebecor Media's clients, notably its Club illico subscribers, must be charged GST when they purchase Quebecor Media's services, Quebecor Media is at a competitive disadvantage.

Furthermore, Quebecor Media faces competition from illegal providers of television services and illegal access to non-Canadian direct broadcast satellite ("DBS") signal (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy).

In its Internet access business, Quebecor Media faces competition from several resellers who have access to the wholesale TPIA service mandated by the CRTC. The recently revised wholesale rates, if upheld by the CRTC following a pending review and vary application, will provide TPIA providers with a cost structure that could lead to increased competition either from established TPIA providers or new entrants. These TPIA providers may also provide telephony and networking applications and have entered the IPTV market. Their market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where they have been particularly active and aggressively pricing their services.

Quebecor Media also competes against other Internet service providers ("ISPs") offering residential and commercial Internet access services as well as fixed wireless access and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, in certain cases offering download speeds comparable, or superior to Quebecor Media's. In addition, satellite operators such as Xplornet, Telesat and Starlink are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in low population density and remote locations and claiming future download speeds comparable to Quebecor Media's low and medium download speeds. Finally, certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with Quebecor Media in some of its local markets.

Quebecor Media's wireline business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of Voice over Internet Protocol ("VoIP") and cloud-based telephony. Some of these competitors are not facility-based and therefore have much lower infrastructure costs. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, Quebecor Media competes against a mix of market participants, some of them active in its territory in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current adjunct technologies, such as Wi-Fi, “hotspots” or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those Quebecor Media provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. Furthermore, the decisions to be taken by the CRTC with regards to a new regulatory framework for mobile services stand to have a significant impact on Quebecor Media’s competitive environment, as Quebecor Media could see the emergence of non facility-based operators (mobile virtual network operators “MVNOs”) with mandated access to the networks of facility-based operators. Quebecor Media may not be able to compete successfully in the future against existing and such potential new competitors; increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, many of its competitors are offering special bundling discounts to customers who subscribe to two or more of their services (television, Internet access, wireline and mobile telephony services). Should Quebecor Media fail to keep its existing customers and lose them to such competitors, it may end up losing a subscriber for multiple services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Fierce price competition in all Quebecor Media’s businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect Quebecor Media’s ability to raise the price of its products and services commensurately with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operations.

Capital to address significant and rapid technological changes

New technologies in the telecommunication industry are evolving faster than the historical investment cycle in the industry. Their introduction and pace of adoption could result in requirements for additional capital investments not currently planned, as well as shorter estimated useful lives for certain of Quebecor Media’s existing assets. Quebecor Media’s strategy of maintaining a leadership position in the suite of products and services it offers and of launching new products and services requires capital investments in its networks, information technology systems and infrastructure, as well as the acquisition of spectrum to support growth in its customer base and its demands for increased bandwidth capacity and other services.

Quebecor Media must continually invest in its services, networks and technologies due to the rapid evolution of technologies, or it may be required to acquire, develop or integrate new technologies. Improvements in its services depend on many factors. The cost of the acquisition, development or implementation of new technologies and spectrum could be significant and Quebecor Media’s ability to fund such acquisition, development or implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition and results of operations.

5G technology is evolving rapidly. Canada’s first standards-based commercial launches were announced in 2020 and 5G coverage will expand over the upcoming years. The 5G ecosystem operates on multiple frequency bands, including the 600 MHz spectrum acquired in 2019 by Videotron. However, 3.5 GHz spectrum is becoming a primary band for 5G mobile coverage. ISED Canada is scheduled to hold an auction of 3.5 GHz frequencies beginning in June 2021. There is a risk that Quebecor Media may not be able to purchase the 3.5 GHz spectrum required to compete equally on network speeds and 5G capacity. Any such difficulty or inability to compete could have a material adverse effect on Quebecor Media’s business, reputation, prospects, financial condition, and results of operations.

In the past, Quebecor Media has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. Quebecor Media expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand and enhance its networks systems and services, including expenditures relating to the deployment of LTE-Advanced/5G mobile technologies. Moreover, additional investments in Quebecor Media’s business may not translate into incremental revenues, cash flows or profitability.

Epidemics, pandemics and other public health emergencies

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. The overall impact on Quebecor Media’s business and activities is still uncertain and cannot be evaluated with precision despite recent developments relating to vaccines, considering future developments such as the spread of the virus, the expected date of termination of the crisis, the risks associated with potential future waves of the virus, its impact on consumer spending, labour shortages due to the virus, the continuing disruption in the supply chain and the effectiveness or the strictness of the actions taken by the federal and

Québec governments to manage the pandemic. Public and private sector regulations, policies and other measures aimed at reducing the spread of the COVID-19 pandemic include the suspension of business activities deemed non-essential when needed, restrictions on the movement of personnel, the promotion of physical and social distancing, lockdown orders, border closures, travel bans, self-imposed quarantine periods, self-isolation, and the adoption of work-from-home and online education by companies, schools and institutions.

Potential adverse impacts of the COVID-19 pandemic include, but are not limited to: (i) a reduction in demand for Quebecor Media's products or services, or an increase in delinquent or unpaid bills, due to job losses and associated financial hardship; (ii) a decline in revenues as a result of services provided at no cost to customers; (iii) a decline in access fees for speciality television services and exclusive on-demand content due to the postponement or cancellation of sporting events; (iv) the temporary suspension of most of Quebecor Media's content production activities, a reduction in the availability of external content, and therefore a reduction in its ability to provide the content and programming that its customers expect; (v) a downgrade or cancellation of customer services; (vi) issues delivering Quebecor Media's products and services; (vii) lost revenues due to the significant economic challenges that small and medium-sized business customers are facing; (viii) lower advertising revenues and reduced film and audiovisual content activity in the Media segment; (ix) delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment; (x) uncertainty associated with the costs and availability of resources required to provide appropriate levels of service to customers; (xi) additional capital expenditures, and uncertainty associated with costs, delays and the availability of resources required to maintain, upgrade or expand Videotron's network in order to accommodate increased network usage, and to expand its self-install and self-serve programs in order to attract new customers; (xii) unexpected increase of user data demand and increased pressure on Videotron's network capacity, which could negatively affect its network's performance, availability, speed, consistency and its ability to provide services; (xiii) the ability of certain suppliers and vendors to provide products and services to Quebecor Media; (xiv) the impact of legislation, regulations and other government interventions in response to the COVID-19 pandemic; (xv) the negative impact on global credit and capital markets; and (xvi) the ability to access capital markets at a reasonable cost or at all. Any of these risks and uncertainties could have a material adverse impact on Quebecor Media's business, prospects, results of operations and financial condition.

The outbreak of the COVID-19 pandemic has resulted in significant economic interventions by the federal, provincial, and municipal governments throughout Canada, which include, notably, grants, wage subsidies, incentives, increased assistance programs and loans, as well as temporary relief measures put in place by regulatory agencies to support certain economic activities, industries or major employers. There can be no assurance that these economic mitigation measures will continue at their present levels or at all, thereby resulting in Quebecor Media's operations and financial condition being adversely affected.

Ongoing access to spectrum

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage – in particular, from the demand for faster and seamless usage of video and data across mobile and fixed devices. It is projected that this demand will further accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; teleworking; affordability of mobile devices; multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. Quebecor Media will have to acquire additional spectrum in order to address this increased demand. The ability to acquire additional spectrum at a reasonable price or at all is dependent on competition level as well as the spectrum auction timing and rules. In previous auctions, ISED Canada has used, and Quebecor Media has benefited from, certain measures to support competition, which notably included set-asides and spectrum aggregation limits ensuring that a minimum amount of spectrum was effectively reserved for eligible facilities-based telecommunication service providers that were not national incumbent wireless carriers. There can be no assurance that these pro-competition measures will be used again by ISED Canada in future auctions, or that Quebecor Media will be or remain eligible to benefit from such measures. If Quebecor Media is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

Roaming agreements

Quebecor Media has entered into roaming agreements with multiple carriers around the world and has thereby established worldwide coverage for its customers. Should it be unable to extend its worldwide coverage, or to renew or substitute for these roaming agreements on acceptable terms, Quebecor Media may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if Quebecor Media is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition and results of operations could be adversely affected.

Increasing proportion of customers with no fixed-term contracts

Given rising costs of mobile devices and marginal technological advancements in mobile devices, consumers tend to keep their mobile devices for longer periods of time, thereby increasing the proportion of wireless customers without fixed term contracts. Such customers are under no contractual obligation to remain with a specific carrier for a fixed term. Moreover, Quebecor Media customers who bring their own device receive wireless services without entering into fixed term contracts. In addition, new technologies now embedded in a growing number of mobile devices, including the eSIM or embedded-SIM, will, once widely adopted, allow customers to switch between carriers without the use of a carrier-provided SIM card. This could have a material adverse effect on Quebecor Media's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

Quebecor Media's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations.

Capital expenditures

There can be no assurance that Quebecor Media will be able to generate or otherwise obtain the funds to implement its business strategies and finance its capital expenditure programs or other investment requirements, whether through cash from operations, additional borrowings or other sources of funding. If Quebecor Media is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected.

Access to support structures

Quebecor Media requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable and mobile networks. Where access to the structures of telephone utilities cannot be secured, Quebecor Media may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). Quebecor Media has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies in its service territory. Should Quebecor Media seek to renew or to renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place Quebecor Media at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

Quebecor Media's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, enhancing its advanced broadband network, developing high quality and premium content, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. Quebecor Media may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased dependence on third-party suppliers and service providers, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, any restrictive measures put in place in order to contain an outbreak of a contagious disease or other adverse public health development, and other factors described in this section. Any material failure to implement its strategies could have an adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, Quebecor Media has entered into certain agreements with third parties under which it is committed to making significant operating and capital expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

Consumer trends to abandon traditional telephony and television services

The recent trend towards mobile substitution (when users cancel their wireline telephony services and opt exclusively for mobile telephony services) is largely the result of the increasing mobile penetration rate in Canada. In addition, there is also a consumer trend to abandon, substitute or reduce traditional television services for Internet access services allowing customers to stream directly from broadcasters and OTT content providers. Consequently, Quebecor Media may not be successful in converting its existing wireline telephony and television subscriber base to its mobile telephony services, its Internet access services or its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth

Quebecor Media has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses in which it participates, under appropriate conditions. Quebecor Media can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, Quebecor Media's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if Quebecor Media is not successful in managing its growth, or if Quebecor Media is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

Quebecor Media has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that Quebecor Media will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market, which makes it harder to attract international talents.

Implementation of changes to the structure of its business

Quebecor Media has and will continue to implement changes to the structure of its business due to many factors, such as the necessity of a corporate restructuring, a system replacement or upgrade, a process redesign, and the integration of business acquisitions or existing business units. These changes must be managed carefully to ensure that Quebecor Media captures the intended benefits. The implementation process may negatively impact overall customer experience and may lead to greater-than-expected operational challenges, costs and expenses, customer losses, and business disruption for Quebecor Media, all of which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

Quebecor's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and Quebecor's failure to recruit, train, deploy and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, Quebecor must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If Quebecor is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

The media industry has experienced fundamental and permanent structural changes. The growth of the Internet has presented alternative content distribution options that compete with traditional media, and an increasing number of non-traditional providers are developing technologies to satisfy the demand for entertainment and information content. Furthermore, Quebecor Media's customers have an increased control over the manner, content and timing of their media consumption, including through new technologies that give consumers greater flexibility to fast forward or skip advertisements within Quebecor Media's programming. These alternative technologies and new content distribution options have increased audience fragmentation, reduced the Corporation's Media segment business' audience, readership and circulation levels and have had an adverse effect on advertising revenues from local, regional and national advertisers.

Advertising revenue is the primary source of revenue for the Corporation's Media segment. As a result of those structural changes, competition for advertising spend in traditional media comes mainly from digital media technologies, which have introduced a wide variety of media distribution platforms for consumers and advertisers. These new competitors also include digital advertising giants with greater financial resources and a controlling share of the online advertising market thus reducing demand in some segments of Quebecor Media's traditional media advertising inventories. In addition, foreign digital advertising giants currently operate in Canada without being subject to its fiscal environment, therefore increasing Quebecor Media's disadvantage. Furthermore, the international consolidation of advertising agencies is disrupting the demand model as some of its clients now negotiate through these consolidated positions, therefore putting additional pressure on market prices.

The continuous technological improvements to the Internet and the access to unlimited data, combined with higher download speeds, may continue to divert a portion of the Corporation's Media segment business' existing customer base from traditional media to digital media technology, which could adversely impact the demand for its services. The ability of the Corporation's Media segment to succeed over the long-term depends on various factors, including Quebecor Media's ability to attract advertisers and consumers to its own digital platforms. In addition, even if successful, Quebecor Media can provide no assurance that it will be able to recover the costs associated with the implementation of these digital initiatives through incremental revenues, cash flows or profitability.

As the media market continues to change and fragment, Quebecor Media expects its readership, circulation and audience to reduce and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Finally, Quebecor Media's revenues and operating results in these businesses depend on the relative strength of the economy in Quebecor Media's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of Quebecor Media's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in these sectors has had and may continue to have an adverse impact on the revenues and results of operations of the Corporation's Media segment.

Distribution, production and acquisition of original programming

The financial performance of its television, Club illico and mobile services depends in large part on Quebecor Media's ability to distribute a wide range of appealing video programming on its platforms and on its ability to produce and acquire original content on an ongoing basis.

In its telecommunications business, Quebecor Media obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. Quebecor Media may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, Quebecor Media's inability to obtain programming at reasonable rates or its inability to pass rate increases through to its customers could have a material adverse effect on its business, prospects, results of operations and financial condition.

Increased competition in the television industry from local and foreign OTT content providers with access to substantial financial resources may result in a competitive disadvantage from a content perspective and may have a material adverse effect on Quebecor Media's business, prospects, revenues, financial conditions and results of operations. Notably, on September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years, while not required to charge provincial (except in Saskatchewan and Québec) and federal sales taxes or to contribute financially to the Canadian traditional television business model or Internet infrastructure. This arrangement may exert upward pressure on content price.

Furthermore, on November 3, 2020, the federal government introduced Bill C-10 which proposes to amend the *Broadcasting Act* (Canada) (the "*Broadcasting Act*") in order to include foreign OTT content providers in Canada's regulatory framework. Similarly to Netflix's arrangement, such bill would force them to promote Canadian cultural products and make material expenditures in order to support local cultural production. If adopted, this bill could put an even greater pressure on the price of content.

Launch of new products and services

Quebecor Media is investing in the launch of new products and services. During the period immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although Quebecor Media believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Single-clustered network

Quebecor Media provides its television, Internet access, wireline telephony and mobile telephony services through a primary headend and a series of local headends in a single-clustered network. Despite available emergency backup or replacement sites, automatic failover systems, and disaster recovery measures, a failure in Quebecor Media's primary headend, including exogenous threats, such as cyber-attacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its networks until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material adverse effect on its financial condition.

Reputation

Quebecor Media has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While Quebecor Media has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, there can be no assurance that these measures will be effective to prevent violations or perceived violations of the law or ethical business practices. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Protection of personal data

The ordinary course of Quebecor Media's businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. Quebecor Media faces risks inherent in protecting the security of such personal data. In particular, Quebecor Media faces a number of challenges in protecting the data contained and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although Quebecor Media has developed and maintains systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, Quebecor Media may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breaches relating to such data that Quebecor Media stores or processes or that its suppliers store or process. As a result, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

On June 12, 2020, Québec's Minister of Justice introduced Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information*. The purpose of this bill is to modify the obligations of public bodies and private sector enterprises by modernizing the framework applicable to the protection of personal information. On November 17, 2020, Canada's Minister of Innovation, Science and Industry introduced Bill C-11, the *Digital Charter Implementation Act*, *2020*, which will create new and enhanced obligations for private-sector organizations. If passed, these bills are expected to impose new obligations on Quebecor Media and add important deterrent powers to the authorities in charge of their application. Federal and provincial legislation in the area of privacy and personal information is constantly evolving and is expected to undergo significant changes in the coming years. Quebecor Media does not expect compliance with this legislation to threaten its business, but it may incur significant costs to update its security systems, processes and controls, which could have a material adverse effect on its financial condition.

Cybersecurity

Although Quebecor Media has implemented and regularly reviews and updates processes and procedures to protect against customers and business service interruption, unauthorized access to or use of sensitive data, including data of its customers, and to prevent data loss or theft, and although ever-evolving cyber-threats require Quebecor Media to continually evaluate and adapt its systems, infrastructure, networks and processes, Quebecor Media cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against unauthorized access by third parties or errors by employees or by third-party suppliers. Quebecor Media is also at risk from increasingly sophisticated phishing attacks, SIM swaps, fraudulent ports and other types of frauds. If Quebecor Media is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, Quebecor Media may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and Quebecor Media may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

The costs associated with a major cyber-attack could also include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. Quebecor Media's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the scope and limits of the insurance coverage it maintains.

Protection from piracy

Quebecor Media may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its networks, digital programming, and Internet access services. It uses encryption technology to protect its television signals and OTT service from unauthorized access and to control programming access based on subscription packages. It may not be able to develop or acquire adequate technology to prevent unauthorized access to its networks, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Malicious and abusive Internet practices

Quebecor Media's cable, mobile and fibre-optic connectivity business customers utilize its networks to access the Internet and, as a consequence, Quebecor Media or they may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its networks and its customers, including deterioration of service, excessive call volume to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its networks. Any significant loss of cable, mobile or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Dependence on information technology systems

The day-to-day operation of Quebecor Media's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories with potential geopolitical risk. Furthermore, its business relies on the use of numerous distinct information technology systems, billing systems, sales channels, databases as well as different rate plans, promotions and product offerings, which make its operations increasingly complex and may unfavourably impact its response time to market trends and the risk of billing or service errors. An inability to maintain and enhance its existing IT systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, manage operating expenses and carry out operations without interruption; all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

Quebecor Media has entered into strategic relationships with service providers to ensure that the technology it adopts and invests in is the best in class in its industry. An inability to maintain these relationships or difficulties implementing its technology roadmap could result in higher capital requirements, prolonged development timelines and substandard performance of its products and services.

Products and services supplied to Quebecor Media by third-party suppliers may contain latent security issues, including, but not limited to, software and hardware security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues may result in significant customer dissatisfaction, loss of revenues, and could adversely impact its results of operations and financial condition.

Third-party suppliers and providers

Quebecor Media depends on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include end-user terminals such as set-top boxes, gateways, Wi-Fi routers, mobile telephony handsets, network equipment such as wireline and telephony modems, servers and routers, fibre-optic cable, telephony switches, inter-city links, support structures, licensed technological platforms, external cloud-based services and network functions, services and operational software, the "backbone" telecommunications network for its Internet access, telephony services and mobile services, and construction services for the expansion of and upgrades to its wireline and wireless networks. These services, platforms and equipment are available from a single or limited number of suppliers and Quebecor Media therefore faces the risks of supply disruption, including due to geopolitical events, external events such as climate change related impacts, epidemics, pandemics or other public health issues, business difficulties, restructuring, or supply-chain issues. If no supplier can provide Quebecor Media with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software, its business, financial condition and results of operations could be materially adversely affected. In addition, if Quebecor Media is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

Moreover, as there is a limited number of manufacturers of mobile devices and customer premises equipment ("CPE"), there is a risk that Quebecor Media will not be able to maintain agreements for their existing supply on commercially reasonable terms. The rising mobile device and CPE costs, in a price-sensitive market, could negatively impact Quebecor Media's revenues, financial condition and results of operations, as it may not be able to pass on to customers a corresponding increase in the price of its products. Furthermore, some of Quebecor Media's competitors benefit from higher purchasing volumes which provide them the ability to negotiate better prices from manufacturers.

In addition, Quebecor Media obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If

Quebecor Media is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its operations may be adversely affected.

Litigation and other claims

In the normal course of business, Quebecor is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on Quebecor's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

Quebecor Media relies on its intellectual property, such as copyrights, trademarks and trade secrets, as well as licenses and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. Quebecor Media may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if Quebecor Media is unable to obtain or continue to obtain licenses from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of Quebecor Media's intellectual property rights is made more challenging, by technological advances. The steps Quebecor Media has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. Quebecor Media may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to Quebecor Media's. Also, Quebecor Media may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. Quebecor Media cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes, other labour protests and health risks affecting employees

Quebecor Media is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that Quebecor Media will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should Quebecor Media not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Health threats to employees resulting from epidemics, pandemics or other public health issues could adversely affect Quebecor Media's business, assets, financial conditions, results of operations and reputation.

The COVID-19 pandemic has accelerated Quebecor Media's adoption of a remote work policy establishing guidelines for its employees when working from home. Remote work arrangements of its employees and those of certain of its suppliers could introduce additional operating risks including, but not limited to, confidentiality risks, privacy risks, information security risks, health and safety risks and impair Quebecor Media's ability to manage its business. This situation could also result in an increase in the number of legal proceedings and other claims related to the pursuit of its activities outside of its usual premises.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of Quebecor Media's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes, gateways, mobile devices and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are only partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2020, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2020, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $597.1 million on a consolidated basis.

Some of its suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Some of Quebecor's debt has a variable rate of interest linked to various interest rate benchmarks, such as the London Inter-Bank Offered Rate ("LIBOR") or the Canadian Dollar Offered Rate ("CDOR"). It is expected that interest rates benchmarks such as LIBOR and CDOR will be reformed or will be discontinued and replaced with alternative interest rate benchmark rates which meet new regulatory and market requirements. The consequence of this development cannot be entirely predicted but could include an increase in the cost of its variable rate indebtedness.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, pandemics, epidemics and other public health issues, ongoing changes in regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products, a declining level of retail and commercial activity and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as these could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In Quebecor Media's Telecommunications business, the competition to offer products in the best available commercial retail spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers, in major retail chains and convenience stores, via telemarketing campaigns and via home delivery to extend their presence on the market and some of its competitors have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of Quebecor Media's retail network and places it at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Rising adoption of web-based and application-based channels

To better meet the changing habits and expectations of consumers and businesses, Quebecor Media's telecommunications business' competitors are rapidly developing digital platforms, which allow them to sell and distribute their products on web-based or application-based channels and to shift customer interaction to digital platforms driving more self-help, self-install and self-service. If Quebecor Media does not succeed in implementing and pursuing its own digital strategy and fails to evolve its customer experience in line with customers' demands, this could place Quebecor Media at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

Quebecor Media's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. Quebecor Media's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. Quebecor Media's wireless and wireline operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

Changes to the laws, regulations and policies governing Quebecor Media's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses, to its competitors, or changes in the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, Quebecor Media may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

The CRTC has launched a comprehensive review of the wireless market. The Canadian Government has requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. This review could result in the introduction of mandatory resale in the wireless marketplace and the emergence of MVNOs in the mobile telephony industry. This material increase in competition in Quebecor Media’s mobile telephony business could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

TPIAs access to our cable network

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide TPIA providers with access to their networks at mandated cost-based rates. Numerous TPIA providers are interconnected to Quebecor Media’s cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

In a series of decisions since 2015, the CRTC has reemphasized the importance it gives to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Among other things, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. On August 15, 2019, the CRTC introduced a flat rate for wholesale Internet access independent of access speed and also ordered that new access and capacity rates be applied retroactively to March 31, 2016. Those new proposed rates are substantially lower than interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. A coalition of cable companies (including Videotron) has filed an application with the CRTC to review and vary its rating decision. The implementation of the new rates has been suspended while this application is considered. If the CRTC’s decision is ultimately upheld in its current form, it will significantly reduce Videotron’s wholesale Internet service revenues. In addition, it will significantly change the competitive landscape and will allow Internet resellers to adopt more aggressive pricing strategies in the retail market. This could lead to a loss of Quebecor Media’s subscribers, affect its ability to recover the costs of providing these services, reduce the incentives to invest in its networks and have a material adverse effect on its ability to successfully compete.

License renewals

Videotron’s AWS-1 licenses were renewed in December 2018 for a 20-year term. A public consultation to determine the license fees to be paid during the renewal term has not yet been initiated.

Videotron’s other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz and 600 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, Quebecor Media expects that new licenses will be issued for subsequent terms through a renewal process, unless a breach of licence conditions has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED Canada.

If, at the end of their respective term, the licenses are not renewed on acceptable terms, or at all, Quebecor Media’s ability to continue to offer its wireless services, or to offer new services, may be negatively impacted and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

Quebecor Media takes advantage of several government programs designed to support production and distribution of televisual and cinematographic products and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that Quebecor Media may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could increase the cost of acquiring and producing Canadian programs which are required to be broadcast and which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

In addition, the Canadian and provincial governments currently provide grants, incentives and tax credits to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of Quebecor Media's film production and audiovisual services business, content producers for its broadcasting operations, as well as its production and distribution business, finance a portion of their production budgets through these grants, incentives and tax credits. There can be no assurance that these grants, incentives and tax credits will continue at their present levels or at all, and if they are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions. Some producers may select locations other than Québec to take advantage of other tax credit programs. Other factors, such as director or star preference, may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, results of operations and financial condition.

Environmental laws and regulations and climate change

Quebecor Media is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern Quebecor Media's operations. Failure to comply with present or future laws or regulations could result in substantial liability for Quebecor Media.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require Quebecor Media to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on Quebecor Media's reputation and brands.

Quebecor Media's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. Quebecor Media cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to Quebecor Media, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

Quebecor Media owns, through its subsidiaries, certain properties located on partially remediated former landfills. The operation and ownership of these properties carry inherent risks of environmental and health and safety liabilities, including for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages. Quebecor Media may, from time to time, be involved in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, the effects of global climate change are increasing the severity and frequency of extreme weather-related events and will likely result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include increased operational costs to maintain Quebecor Media's network operations during extreme weather events, and increased capital costs as a result of damage to its facilities and/or equipment.

Concerns about alleged health risks relating to radiofrequency emissions

All Quebecor Media's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on Quebecor Media's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2020, it had $5.78 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 2020, it had more than $1.85 billion available for additional borrowings under its existing credit facilities on a consolidated basis, and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments by some subsidiaries;
- enter into transactions with affiliates;
- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect the Corporation's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and Quebecor Media, Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor's ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders, with the exception of matters where the holders of shares of a single class are entitled to vote separately. As of December 31, 2020 approximately 74.30% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, accounts receivable, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; and (ii) to achieve a targeted balance of fixed- and floating-rate debts. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 9
Description of derivative financial instruments
As of December 31, 2020
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.3235	$ 207.1	US$ 156.5

Cross-currency interest rate swaps

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.000% Senior Notes due 2022	2014 to 2022	US$ 543.1	6.01%	0.9983
5.000% Senior Notes due 2022	2012 to 2022	US$ 256.9	5.81%	1.0016
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407

Certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The losses on valuation and translation of financial instruments for 2020 and 2019 are summarized in Table 10.

Table 10
Loss on valuation and translation of financial instruments
((in millions of Canadian dollars)

		2020		2019
Loss on embedded derivatives related to convertible debentures	**$**	**(9.3)**	$	5.7
Other		**1.3**		0.8
	$	**(8.0)**	$	6.5

A loss on cash flow hedges of $17.1 million was recorded under "other comprehensive income" in 2020 (gain of $73.8 million in 2019).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's adjusted implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2020 and December 31, 2019 were as follows:

Table 11
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

				2020				2019
Asset (liability)		**Carrying value**		**Fair value**		Carrying value		Fair value
Long-term debt[1]	**$**	**(5,786.4)**	**$**	**(6,216.1)**	$	(5,986.1)	$	(6,376.2)
Convertible debentures[2]		**(153.5)**		**(153.5)**		(162.0)		(162.0)
Derivative financial instruments[3]								
Foreign exchange forward contracts		**(8.0)**		**(8.0)**		(2.1)		(2.1)
Cross-currency interest rate swaps		**605.1**		**605.1**		679.8		679.8

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The fair value of derivative financial instruments designated as cash flow hedges is an asset position of $552.5 million as of December 31, 2020 ($635.5 million in 2019) and the fair value of derivative financial instruments designated as fair value hedges is an asset position of $44.6 million as of December 31, 2020 ($42.2 million in 2019).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The carrying amounts of financial assets represent the maximum credit exposure.

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of December 31, 2020, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2020, the provision for expected credit losses represented 2.5% of the gross amount of accounts receivable and contract assets (2.5% as of December 31, 2019), while 5.0% of trade receivables were 90 days past their billing date (7.2% as of December 31, 2019).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2020 and 2019:

		2020		2019
Balance at beginning of year	**$**	**19.6**	$	20.5
Changes in expected credit losses charged to income		**17.4**		18.8
Write-off		**(16.2)**		(19.7)
Balance at end of year	**$**	**20.8**	$	19.6

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of Quebecor's consolidated debt was approximately 4.3 years as of December 31, 2020 (4.9 years pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021) compared with 5.2 years as of December 31, 2019.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2020, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2020 is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of $0.10	$	**1.0**	$	**48.7**
Decrease of $0.10		**(1.0)**		**(48.7)**

A variance of $0.10 in the 2020 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $5.4 million on the value of unhedged purchases of goods and services and $3.7 million on the value of unhedged acquisitions of tangible and intangible assets in 2020.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency interest rate swap agreements in order to manage cash flow risk exposure. After taking into account hedging instruments, debt consisted of approximately 96.1% fixed-rate debt (96.6% pro forma the issuance by Videotron of Senior Notes in the aggregate principal amount of $650.0 million on January 22, 2021), compared with 93.9% as at December 31, 2019, and 3.9% floating-rate debt (3.4% pro forma the issuance of the Senior Notes on January 22, 2021), compared with 6.1% as at December 31, 2019.

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2020 was $2.0 million.

The estimated sensitivity on income and on "other comprehensive income," before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures, as of December 31, 2020, as per the Corporation's valuation models, is as follows:

Increase (decrease)		Income		Other comprehensive income
Increase of 100 basis points	$	**(1.2)**	$	**(10.0)**
Decrease of 100 basis points		**1.2**		**10.0**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2020 and 2019 is as follows:

Table 12
Capital structure of Quebecor
(in millions of Canadian dollars)

	2020	2019
Bank indebtedness	**$ 1.7**	$ 29.4
Long-term debt	**5,773.4**	5,957.5
Convertible debentures	**150.0**	150.0
Embedded derivatives related to convertible debentures	**6.5**	15.8
Lease liabilities	**173.3**	137.9
Derivative financial instruments	**(597.1)**	(677.7)
Cash and cash equivalents	**(136.7)**	(14.0)
Net liabilities	**5,371.1**	5,598.9
Equity	**$ 1,214.1**	$ 1,072.1

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation’s results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

On August 15, 2019, the CRTC issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation’s consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party's rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as “Deferred revenue” in the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration is generally comprised of an upfront fee for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.
The Telecommunications segment recognizes each of its main activities’ revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and OTT video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities’ revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines, or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment leasing revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from the distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities’ revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and food and beverage sales are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;

- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in CGUs, which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts consider each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond this three-year period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate has been determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU. Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2020 was $2.71 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2020 was $741.1 million.

Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments.

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency interest rate swaps to hedge: (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt; and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency interest rate swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency interest rate swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one for one for all its hedging relationships as underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows.

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates the hedged items’ cash flows.
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation’s hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies.

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in “other comprehensive income” until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated "other comprehensive income" are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis in the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Re-measurements of the net defined benefit liability or asset are recognized immediately in "other comprehensive income."

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Stock-based compensation

Stock-based awards to employees that call for settlement in cash, as deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock option awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized when: (i) the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation; and when (ii) the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisition

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the business acquired are recognized at their fair value at the acquisition date. Goodwill initially arising from a business acquisition is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model, requiring management to assess the probabilities that the conditions on which the contingent considerations or the future conditional adjustments are based will be met in the future. The assessment of these contingent and conditional potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

Interpretation of laws and regulations

Interpretation of laws and regulation, including those of the CRTC and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and the Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the health crisis related to the COVID-19. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the term lease, less incentive payment received, using the Corporation's incremental borrowing rate at that date or interest rate implicit in the lease. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interests on lease liabilities are recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

Non-IFRS Financial Measures

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, cash flows from operations, free cash flows from continuing operating activities and consolidated net debt leverage ratio are not calculated in accordance with, or recognized by IFRS. The Corporation's method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

In 2020, the Corporation reviewed the nature and definition of its non-IFRS measures. As a result, "cash flows from segment operations" was abandoned and replaced by the new "cash flows from operations" metric. This metric is now used to measure the cash flows generated by the operations of all the business segments, on a consolidated basis, in addition to the cash flows from operations generated by each segment. Furthermore, calculation of this metric will henceforth be based on additions to property, plant and equipment and to intangible assets rather than cash flows used for additions to property, plant and equipment and to intangible assets. As well, the new metric is calculated without taking into account proceeds on disposals. The Corporation also added the "consolidated net debt leverage ratio" measure. The consolidated net debt leverage ratio represents consolidated net debt excluding convertible debentures divided by the trailing 12-month adjusted EBITDA. Consolidated net debt excluding convertible debentures represents total long-term debt plus bank indebtedness, lease liabilities, the current portion of lease liabilities and liabilities related to derivative financial instruments, less assets related to derivative financial instruments and cash and cash equivalents. The consolidated net debt leverage ratio serves to evaluate the Corporation's financial leverage and is used by management and the Board of Directors in decisions on the Corporation's capital structure, including its financing strategy, and in managing debt maturity risks.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income (loss) from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation's management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation's operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a significant component of the Corporation's annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation's segments. The Corporation also uses other measures that do reflect such costs, such as cash flows from operations and free cash flows from continuing operating activities. The Corporation's definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 13 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2020 and 2019 presented in Table 13 below is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 13
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,864.4**	$ 1,803.4	$ 1,715.6	**$ 481.7**	$ 462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Depreciation and amortization	**(803.2)**	(750.4)	(753.1)	**(213.5)**	(186.3)
Financial expenses	**(328.2)**	(327.5)	(332.0)	**(79.1)**	(81.4)
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes	**(205.8)**	(205.7)	(162.8)	**(58.1)**	(60.3)
Income (loss) from discontinued operations	**33.2**	97.5	3.8	**(0.6)**	–
Net income	**$ 617.4**	$ 658.3	$ 441.8	**$ 168.5**	$ 150.3

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before income (loss) from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 14 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2020 and 2019 presented in Table 14 below is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 14
Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Adjusted income from continuing operating activities	**$ 594.5**	$ 581.0	$ 469.8	**$ 165.0**	$ 159.6
Gain (loss) on valuation and translation of financial instruments	**8.0**	(6.5)	(61.3)	**(0.9)**	(14.6)
Restructuring of operations and other items	**(39.2)**	(28.6)	(29.1)	**(6.1)**	(1.6)
Income taxes related to adjustments[1]	**9.1**	8.0	19.0	**2.1**	1.4
Net income attributable to non-controlling interest related to adjustments	**1.6**	1.4	1.8	**0.3**	0.3
Discontinued operations	**33.2**	97.5	3.5	**(0.6)**	–
Net income attributable to shareholders	**$ 607.2**	$ 652.8	$ 403.7	**$ 159.8**	$ 145.1

[1] Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Cash flows from operations and free cash flows from continuing operating activities

Cash flows from operations

Cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding licence acquisitions and renewals). Cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and share repurchases. Cash flows from operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. Cash flows from operations is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the operations of all of its segments. The Corporation's definition of cash flows from operations may not be identical to similarly titled measures reported by other companies.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities represents cash flows provided by continuing operating activities calculated in accordance with IFRS, less cash flows used for additions to property, plant and equipment and to intangible assets (excluding expenditures related to licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the Corporation's operations. Free cash flows from continuing operating activities represents available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Tables 15 and 16 provide a reconciliation of cash flows from operations and free cash flows from continuing operating activities to cash flows provided by continuing operating activities reported in the consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2020 and 2019 presented in Tables 15 and 16 is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 15
Cash flows from operations
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,864.4**	$ 1,803.4	$ 1,715.6	**$ 481.7**	$ 462.7
Media	**82.2**	74.8	60.0	**45.6**	35.3
Sports and Entertainment	**8.7**	7.3	10.5	**2.1**	2.6
Head Office	**(2.7)**	(6.0)	(9.8)	**(2.6)**	(6.1)
	1,952.6	1,879.5	1,776.3	**526.8**	494.5
Minus					
Additions to property, plant and equipment:[1]					
Telecommunications	**(402.1)**	(459.3)	(517.4)	**(103.9)**	(127.3)
Media	**(14.3)**	(24.0)	(29.2)	**(7.6)**	(11.7)
Sports and Entertainment	**(0.6)**	(1.3)	(1.5)	**(0.4)**	(0.2)
Head Office	**(1.5)**	(1.7)	(6.1)	**(0.2)**	(0.4)
	(418.5)	(486.3)	(554.2)	**(112.1)**	(139.6)
Additions to intangible assets:[2]					
Telecommunications	**(194.0)**	(218.8)	(202.8)	**(60.7)**	(86.9)
Media	**(23.7)**	(26.0)	(4.6)	**(7.2)**	(6.7)
Sports and Entertainment	**(2.8)**	(3.6)	(3.5)	**(0.5)**	(0.6)
Head Office	**(1.2)**	(0.7)	1.1	**(1.1)**	(0.2)
	(221.7)	(249.1)	(209.8)	**(69.5)**	(94.4)
Cash flows from operations					
Telecommunications	**1,268.3**	1,125.3	995.4	**317.1**	248.5
Media	**44.2**	24.8	26.2	**30.8**	16.9
Sports and Entertainment	**5.3**	2.4	5.5	**1.2**	1.8
Head Office	**(5.4)**	(8.4)	(14.8)	**(3.9)**	(6.7)
	$ 1,312.4	$ 1,144.1	$ 1,012.3	**$ 345.2**	$ 260.5

[1] **Reconciliation to cash flows used for additions to property, plant and equipment as per consolidated financial statements:**	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Additions to property, plant and equipment	**$ (418.5)**	$ (486.3)	$ (554.2)	**$ (112.1)**	$ (139.6)
Net (decrease) increase in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(28.7)**	(15.3)	4.7	**(10.3)**	15.3
Cash flows used for additions to property, plant and equipment	**$ (447.2)**	$ (501.6)	$ (549.5)	**$ (122.4)**	$ (124.3)

[2] **Reconciliation to cash flows used for additions to intangible assets as per consolidated financial statements:**	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Additions to intangible assets	**$ (221.7)**	$ (249.1)	$ (209.8)	**$ (69.5)**	$ (94.4)
Net increase in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**15.8**	8.0	12.4	**48.7**	22.0
Cash flows used for licence acquisitions	**-**	(255.8)	-	**-**	-
Cash flows used for additions to intangible assets	**$ (205.9)**	$ (496.9)	$ (197.4)	**$ (20.8)**	$ (72.4)

Table 16
Free cash flows from continuing operating activities and cash flows provided by continuing operating activities reported in the consolidated financial statements.
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2020	2019	2018	**2020**	2019
Cash flows from operations from Table 15	**$ 1,312.4**	$ 1,144.1	$ 1,012.3	**$ 345.2**	$ 260.5
Plus (minus)					
Cash portion of financial expenses	**(320.1)**	(319.4)	(324.9)	**(77.1)**	(79.4)
Cash portion related to restructuring of operations and other items	**(30.7)**	(9.8)	(14.2)	**(4.9)**	(1.6)
Current income taxes	**(208.7)**	(107.9)	(154.9)	**(27.7)**	7.2
Other	**2.8**	2.9	4.8	**(0.7)**	1.6
Net change in non-cash balances related to operating activities	**40.0**	(229.3)	146.3	**(38.6)**	(58.2)
Net (decrease) increase in current non-cash items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(28.7)**	(15.3)	4.7	**(10.3)**	15.3
Net increase in current non-cash items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**15.8**	8.0	12.4	**48.7**	22.0
Free cash flows from continuing operating activities	**782.8**	473.3	686.5	**234.6**	167.4
Plus (minus)					
Cash flows used for additions to property, plant and equipment	**447.2**	501.6	549.5	**122.4**	124.3
Cash flows used for additions to intangible assets (excluding licence acquisitions and renewals)	**205.9**	241.1	197.4	**20.8**	72.4
Proceeds from disposal of assets	**(4.4)**	(4.2)	(9.4)	**(0.8)**	(1.0)
Cash flows provided by continuing operating activities	**$ 1,431.5**	$ 1,211.8	$ 1,424.0	**$ 377.0**	$ 363.1

Consolidated net debt leverage ratio

The consolidated net debt leverage ratio represents consolidated net debt, excluding convertible debentures, divided by the trailing 12-month adjusted EBITDA. Consolidated net debt, excluding convertible debentures, represents total long-term debt plus bank indebtedness, lease liabilities, the current portion of lease liabilities and liabilities related to derivative financial instruments, less assets related to derivative financial instruments and cash and cash equivalents. The consolidated net debt leverage ratio serves to evaluate the Corporation's financial leverage and is used by management and the Board of Directors in decisions on the Corporation's capital structure, including its financing strategy, and in managing debt maturity risks. The consolidated net debt leverage ratio excludes convertible debentures because, subject to certain conditions, those debentures can be repurchased at the Corporation's discretion by issuing Quebecor Class B Shares. Consolidated net debt leverage ratio is not a measure established in accordance with IFRS. It is not intended to be used as an alternative to IFRS measures or the balance sheet to evaluate financial position. The Corporation's definition of consolidated net debt leverage ratio may not be identical to similarly titled measures reported by other companies.

Table 17 provides the calculation of consolidated net debt leverage ratio and the reconciliation to balance sheet items reported in Quebecor's consolidated financial statements.

Table 17
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Total long-term debt[1]	**$ 5,786.4**	$ 5,986.1	$ 6,461.7
Plus (minus)			
Lease liabilities	**139.0**	106.6	108.4
Current portion of lease liabilities	**34.3**	31.3	36.0
Bank indebtedness	**1.7**	29.4	24.3
Assets related to derivative financial instruments	**(625.5)**	(679.8)	(887.0)
Liabilities related to derivative financial instruments	**28.4**	2.1	-
Cash and cash equivalents	**(136.7)**	(14.0)	(21.0)
Consolidated net debt excluding convertible debentures	**5,227.6**	5,461.7	5,722.4
Divided by:			
Trailing 12-month adjusted EBITDA	**$ 1,952.6**	$ 1,879.5	$ 1,776.3
Consolidated net debt leverage ratio	**2.68x**	2.91x	3.22x

1 Excluding changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

KEY PERFORMANCE INDICATORS

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the Internet access, television and Club illico services, and subscriber connections to the mobile and wireline telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for Internet access, television, Club illico, mobile and wireline telephony services by the total average number of RGUs from Internet access, television, mobile and wireline telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2020, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation's financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation's management during the financial period beginning October 1, 2020 and ending December 31, 2020.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request, and on the Web at <www.sedar.com>.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation's actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms "plans," "expects," "may," "anticipates," "intends," "estimates," "projects," "seeks," "believes," or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media's ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media's newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media's product suites;
- unanticipated higher capital spending required for developing Quebecor Media's network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor's business;
- Quebecor's ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its digital television, Internet access, mobile and wireline telephony and Club illico services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- service interruptions resulting from equipment breakdown, network failure, the threat of natural disaster, epidemics, pandemics and other public health crises, including the COVID-19 pandemic, and political instability in some countries;
- impact of emergency measures implemented by various levels of government;
- changes in Quebecor Media's ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media's licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media's ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor's substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor's interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation's circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation's actual results to differ from current expectations, please refer to the "Trend Information," "Risks and Uncertainties" and "Financial Instruments and Financial Risk" sections above, and the Corporation's other public filings, available at <www.sedar.com> and <www.quebecor.com>.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of February 24, 2021, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

February 24, 2021

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2020, 2019 and 2018
(in millions of Canadian dollars, except per share data)

	2020	2019	2018
Operations			
Revenues	**$ 4,317.8**	$ 4,293.8	$ 4,181.0
Adjusted EBITDA	**1,952.6**	1,879.5	1,776.3
Cash flows from operations	**1,312.4**	1,144.1	1,012.3
Contribution to net income attributable to shareholders:			
Continuing operations	**594.5**	581.0	469.8
Gain (loss) on valuation and translation of financial instruments	**7.5**	(6.1)	(61.4)
Unusual items	**(28.0)**	(19.6)	(8.2)
Discontinued operations	**33.2**	97.5	3.5
Net income attributable to shareholders	**607.2**	652.8	403.7
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.36**	$ 2.27	$ 1.96
Gain (loss) on valuation and translation of financial instruments	**0.03**	(0.02)	(0.26)
Unusual items	**(0.11)**	(0.08)	(0.03)
Discontinued operations	**0.13**	0.38	0.02
Net income attributable to shareholders	**2.41**	2.55	1.69
Weighted average number of shares outstanding (in millions)	**251.6**	255.6	239.3
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.33**	$ 2.24	$ 1.92
Dilution impact	**-**	0.03	0.03
Gain (loss) on valuation and translation of financial instruments	**-**	(0.02)	(0.26)
Unusual items	**(0.11)**	(0.08)	(0.03)
Discontinued operations	**0.13**	0.38	0.02
Net income attributable to shareholders	**2.35**	2.55	1.68
Diluted weighted average number of shares (in millions)	**256.3**	255.8	239.8

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

	2020				2019			
	Dec. 31	Sept. 30	June 30	March 31	Dec. 31	Sept. 30	June 30	March 31
Revenues	$ 1,146.8	$ 1,111.7	$ 1,003.8	$ 1,055.5	$ 1,136.2	$ 1,073.4	$ 1,056.9	$ 1,027.3
Adjusted EBITDA	526.8	513.4	475.7	436.7	494.5	509.3	455.0	420.7
Cash flows from operations	345.2	346.1	326.1	295.0	260.5	332.4	274.9	276.3
Contribution to net income attributable to shareholders:								
Continuing operating activities	165.0	173.1	144.9	111.5	159.6	173.8	136.2	111.4
(Loss) gain on valuation and translation of financial instruments	(0.4)	(18.3)	4.5	21.7	(13.6)	5.6	16.3	(14.4)
Unusual items	(4.2)	(13.9)	(7.0)	(2.9)	(0.9)	(0.9)	(12.3)	(5.5)
Discontinued operations	(0.6)	-	32.5	1.3	-	-	-	97.5
Net income attributable to shareholders	159.8	140.9	174.9	131.6	145.1	178.5	140.2	189.0
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	0.66	$ 0.69	$ 0.57	$ 0.44	$ 0.63	$ 0.68	$ 0.53	$ 0.44
(Loss) gain on valuation and translation of financial instruments	-	(0.07)	0.02	0.08	(0.05)	0.02	0.07	(0.06)
Unusual items	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)	(0.02)
Discontinued operations	-	-	0.13	0.01	-	-	-	0.38
Net income attributable to shareholders	0.64	0.56	0.69	0.52	0.57	0.70	0.55	0.74
Weighted average number of shares outstanding (in millions)	249.1	250.5	252.8	254.0	254.8	255.6	255.9	256.0
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	0.66	$ 0.68	$ 0.57	$ 0.42	$ 0.62	$ 0.67	$ 0.52	$ 0.43
Dilution impact	-	0.01	-	-	0.01	-	-	0.01
(Loss) gain on valuation and translation of financial instruments	-	(0.07)	-	-	(0.05)	-	-	(0.06)
Unusual items	(0.02)	(0.06)	(0.03)	(0.01)	(0.01)	-	(0.05)	(0.02)
Discontinued operations	-	-	0.12	0.01	-	-	-	0.38
Net income attributable to shareholders	0.64	0.56	0.66	0.42	0.57	0.67	0.47	0.74
Weighted average number of diluted shares outstanding (in millions)	253.8	250.7	258.6	259.9	255.0	261.7	262.1	256.5

This is Exhibit 59 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

QUEBECOR

MANAGEMENT DISCUSSION AND ANALYSIS 2021

TABLE OF CONTENTS

CORPORATE PROFILE

Quebecor Inc. is a holding company that owns all of the shares of Quebecor Media Inc., one of Canada's largest telecommunications and media groups. Quebecor Media Inc.'s subsidiaries operate in the following business segments: Telecommunications, Media, and Sports and Entertainment. Unless the context otherwise requires, in this Management Discussion and Analysis, "Quebecor" and the "Corporation" refer to Quebecor Inc. and its subsidiaries, and "Quebecor Media" refers to Quebecor Media Inc. and its subsidiaries.

Through its Quebecor Media subsidiary, Quebecor is a leading Canadian telecommunications and media company engaged in the following lines of business: mobile and wireline telecommunications; Internet access; television; over-the-top ("OTT") video business telecommunications solutions; broadcasting; soundstage and equipment rental; audiovisual content production and distribution; newspaper publishing and distribution; digital news and entertainment platforms; music streaming; book and magazine publishing and distribution; music production and distribution; out-of-home advertising; operation and management of a world-class arena and an entertainment venue; ownership and management of Quebec Major Junior Hockey League ("QMJHL") teams; concert production, and management and promotion of sporting and cultural events. Through its Videotron Ltd. ("Videotron") subsidiary, Quebecor Media is a leading mobile and wireline communications provider. Quebecor Media also holds leading positions through its Media segment and its Sports and Entertainment segment in the creation, promotion and distribution of entertainment and news, and related Internet services, that are designed to appeal to audiences in every demographic category. Quebecor Media continues to pursue a convergence strategy to capture synergies within its portfolio of properties and to leverage the value of its content across multiple distribution platforms.

All amounts are stated in Canadian dollars ("CAN") unless otherwise indicated.

The Corporation's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Corporation uses non-standardized IFRS financial measures such as adjusted EBITDA, adjusted income from continuing operating activities, adjusted cash flows from operations (formerly "cash flows from operations"), free cash flows from continuing operating activities and consolidated net debt leverage ratio, as well as key performance indicators such as revenue-generating unit ("RGU") and average billing per unit ("ABPU"). Definitions of the non-IFRS measures and key performance indicators used by the Corporation are provided in the "Non-IFRS Measures" and "Key Performance Indicators" sections below.

COVID-19 pandemic

The COVID 19 pandemic has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and has led to a significant slowdown in some of the Corporation's segments. Among other impacts, depending on circumstances, the restrictions and preventive measures imposed by the Québec government have caused a reduction in volume at Videotron's retail outlets; a reduction in advertising revenues, in sports events broadcast by the TVA Sports specialty channel and in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment qualified for the Canadian Emergency Wage Subsidy, and subsidies totalling $12.2 million were recorded in 2021 as a reduction in employee costs ($49.6 million in 2020).

The impact of the COVID-19 health crisis on the operating results of the Corporation's business segments in 2021 is analyzed in greater detail in the "Segmented Analysis" section below. It is difficult at this stage to foresee all the consequences of this crisis, including the potential effects of another major wave. The public health crisis could have a material adverse impact on the growth of the Corporation's operating results and cash flows in the short and medium terms. As a result, the growth recorded during the quarters preceding the health crisis may not be indicative of future growth.

HIGHLIGHTS

2021 financial year

Revenues: $4.55 billion, a $236.6 million (5.5%) increase.

Adjusted EBITDA[1]: $1.97 billion, a $20.6 million (1.1%) increase, despite the $12.6 million unfavourable impact of recognition of a one-time item in the Telecommunications segment in 2020.

Net income attributable to shareholders: $578.4 million ($2.38 per basic share) in 2021, a decrease of $28.8 million ($0.03 per basic share).

Adjusted income from continuing operating activities[1]: $621.9 million ($2.55 per basic share) in 2021, an increase of $27.4 million ($0.19 per basic share).

Adjusted cash flows from operations[1]: $1.38 billion in 2021, a $69.7 million (5.3%) increase.

Cash flows provided by continuing operating activities: $1.18 billion in 2021, a $248.9 million (-17.4%) decrease.

Fourth quarter 2021

Revenues: $1.18 billion, a $37.1 million (3.2%) increase.

Adjusted EBITDA: $498.8 million, a $28.0 million (-5.3%) decrease.

Net income attributable to shareholders: $160.5 million ($0.67 per basic share) in the fourth quarter of 2021, an favourable variance of $0.7 million ($0.03 per basic share).

Adjusted income from continuing operating activities: $157.6 million ($0.66 per basic share) in the fourth quarter of 2021, a decrease of $7.4 million.

Adjusted cash flows from operations: $370.6 million, a $25.4 million (7.4%) increase.

Cash flows provided by continuing operating activities: $323.1 million, a $53.9 million (-14.3%) decrease.

[1] See "Non-IFRS Financial Measures" below.

Table 1
Consolidated summary of income, cash flows and balance sheet
(in millions of Canadian dollars, except per basic share data)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Income					
Revenues					
Telecommunications	**$ 3,735.0**	$ 3,622.6	$ 3,480.4	**$ 953.1**	$ 940.9
Media	**776.0**	650.5	738.0	**212.4**	185.8
Sports and Entertainment	**167.0**	158.0	192.2	**53.2**	48.8
Inter-segment	**(123.6)**	(113.3)	(116.8)	**(34.8)**	(28.7)
	4,554.4	4,317.8	4,293.8	**1,183.9**	1,146.8
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**1,875.7**	1,864.4	1,803.4	**466.5**	481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Depreciation and amortization	**(783.8)**	(803.2)	(750.4)	**(197.6)**	(213.5)
Financial expenses	**(333.4)**	(328.2)	(327.5)	**(79.5)**	(79.1)
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	–	–
Income taxes	**(197.0)**	(205.8)	(205.7)	**(56.6)**	(58.1)
Income (loss) from discontinued operations	–	33.2	97.5	–	(0.6)
Net income	**$ 588.4**	**$** 617.4	$ 658.3	$ **164.5**	**$** 168.5
Income from continuing operations attributable to shareholders	**$ 578.4**	$ 574.0	$ 555.3	**$ 160.5**	$ 160.4
Net income attributable to shareholders	**578.4**	607.2	652.8	**160.5**	159.8
Adjusted income from continuing operating activities	**621.9**	594.5	581.0	**157.6**	165.0
Per basic share:					
Income from continuing operations attributable to shareholders	**2.38**	2.28	2.17	**0.67**	0.64
Net income attributable to shareholders	**2.38**	2.41	2.55	**0.67**	0.64
Adjusted income from continuing operating activities	**2.55**	2.36	2.27	**0.66**	0.66

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to property, plant and equipment and to intangible assets:					
Telecommunications	**$ 537.1**	$ 596.1	$ 678.1	**$ 108.2**	$ 164.6
Media	**44.9**	38.0	50.0	**17.3**	14.8
Sports and Entertainment	**4.3**	3.4	4.9	**1.7**	0.9
Head Office	**4.8**	2.7	2.4	**1.0**	1.3
	591.1	640.2	735.4	**128.2**	181.6
Acquisition of spectrum licences	**830.0**	–	255.8	**664.0**	–
Cash flows:					
Adjusted cash flows from operations					
Telecommunications	**1,338.6**	1,268.3	1,125.3	**358.3**	317.1
Media	**38.5**	44.2	24.8	**11.5**	30.8
Sports and Entertainment	**16.1**	5.3	2.4	**2.5**	1.2
Head Office	**(11.1)**	(5.4)	(8.4)	**(1.7)**	(3.9)
	1,382.1	1,312.4	1,144.1	**370.6**	345.2
Cash flows provided by continuing operating activities	**1,182.6**	1,431.5	1,211.8	**323.1**	377.0
Dividends declared	**267.6**	201.1	100.3	**65.8**	49.8
Dividends declared per basic share	**1.10**	0.80	0.39	**0.28**	0.20
Balance sheet:					
Cash and cash equivalents	**$ 64.7**	$ 136.7	$ 14.0	$	
Working capital	**50.4**	(70.4)	(161.4)		
Net assets related to derivative financial instruments	**382.3**	597.1	677.7		
Total assets	**10,763.0**	9,861.6	9,725.9		
Total long-term debt	**6,554.0**	5,786.4	5,986.1		
Lease liabilities (current and long term)	**183.2**	173.3	137.9		
Convertible debentures, including embedded derivatives	**141.6**	156.5	165.8		
Equity attributable to shareholders	**1,255.6**	1,112.6	977.5		
Equity	**1,378.8**	1,214.1	1,072.1		
Consolidated net debt leverage ratio[1]	**3.19x**	2.68x	2.91x		

Telecommunications

- The Telecommunications segment grew its revenues by $112.4 million (3.1%) and its adjusted EBITDA by $11.3 million (0.6%) in 2021.
- Videotron increased its revenues from mobile services and equipment ($73.2 million or 8.0%), Internet access ($70.0 million or 6.2%) and wireline equipment ($52.3 million or 34.5%) in 2021.
- Net increase of 41,700 revenue-generating units (“RGUs”) (0.7%) in 2021, including 120,800 connections (8.2%) to the mobile telephony service and 44,000 subscriptions (2.4%) to the Internet access service.

[1] See “Non-IFRS Financial Measures” below.

- On September 9, 2021, Videotron and TVA Sports announced a partnership with the Lions de Trois-Rivières, the new ECHL hockey team. The new Trois-Rivières arena is named the “Colisée Vidéotron” and TVA Sports is the exclusive official broadcaster of the Lions’ home games as they begin their first season.
- On August 17, 2021, Videotron launched Vrai, a new Québec subscription platform that will meet the strong demand for unscripted lifestyle, documentary and entertainment content. In its first year, Vrai offered thousands of hours of all-French, on-demand content, including more than a hundred new original Québec productions.
- On July 29, 2021, Quebecor announced an investment of nearly $830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: Ontario, Manitoba, Alberta and British Columbia.
- On June 4, 2021, Jean-François Pruneau resigned as President and Chief Executive Officer of Videotron to pursue personal investment projects. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor, took over as President of Videotron.
- On May 12, 2021, Videotron announced the roll-out of its 5G network in Québec City, following the successful launch in Montréal in December 2020. With its increased speed, expanded connectivity and minimal latency, 5G will open up a world of possibilities for Québec City customers.
- On April 15, 2021, the Canadian Radio-television and Telecommunications Commission (“CRTC”) announced that some telecommunications providers may be given access to the wireless networks of Canada’s major carriers in order to offer Canadians greater choice and more options at affordable prices. As a result, regional carriers that invest in network infrastructure and spectrum will be able to offer competitive services as mobile virtual network operators in regions where competition is limited.
- On April 1, 2021, Videotron announced the acquisition of Cablovision Warwick Inc. (“Cablovision Warwick”) and its network, which has been serving the municipalities of Warwick, Kingsey Falls and Saint-Félix-de-Kingsey in the Centre-du-Québec region for more than four decades. Cablovision Warwick’s customers will therefore have access to Videotron’s network and its line of products and services.
- On March 22, 2021, Videotron entered into agreements with the Québec government and the government of Canada jointly aimed at achieving government targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron is expanding its high-speed Internet network to connect approximately 37,000 more households and the governments have undertaken to provide financial assistance in the amount of approximately $258.0 million, which will be used in its entirety for the extension of Videotron’s network. In accordance with the terms and conditions of the agreements, a $216.2 million advance was received from the government at program commencement and recorded as restricted cash, with a corresponding amount as a deferred subsidy, on the Corporation’s consolidated balance sheet. In 2021, $53.8 million of these deferred subsidies were recognized as a reduction of additions to property, plant and equipment, upon the realization of the required investments.

Media

- The Media segment grew its revenues by $125.5 million (19.3%) and its adjusted EBITDA by $1.2 million (1.5%) in 2021.
- On September 15, 2021, Quebecor unveiled the new QUB digital platform, which brings together all of its news and entertainment content in one place. Available on the Internet and via a mobile app, QUB is differentiated by its vast quantity of multi-source, multi-format content, including text, music, video and audio, available live or on demand on a single platform to support discoverability.
- On July 16, 2021, TVA Group Inc. (“TVA Group”) announced that the studios of Canadian film and television industry leader MELS will be enlarged with the construction of MELS 4, with the support of Investissement Québec and the City of Montréal. The project will strengthen MELS’ position on the market for foreign blockbusters and series.
- On April 14, 2021, France Lauzière took time off from her professional duties for family reasons. On October 29, 2021, Ms. Lauzière resigned from her position as President and Chief Executive Officer of TVA Group and Chief Content Officer of Quebecor Content, for the same reasons. After joining the Corporation in 2001, she was instrumental in strengthening TVA’s dominant position as Québec’s television leader. Ms. Lauzière remains available to work with the company on strategic projects and to contribute her expertise in content. Pierre Karl Péladeau, President and Chief Executive Officer of Quebecor, continues to serve as Acting President of TVA Group and Quebecor Content.

Sports and Entertainment

- The Sports and Entertainment segment grew its revenues by $9.0 million (5.7%) and its adjusted EBITDA by $11.7 million in 2021.
- On October 6, 2021, Event Management Gestev Inc., an entity in the Sports and Entertainment segment, became the new manager of the Cabaret du Casino de Montréal. It is now operating the acoustically superior multipurpose venue and presenting unique programming for thousands of guests.
- On February 1, 2021, the Sports and Entertainment segment acquired Les Disques Audiogramme inc. (“Disques Audiogramme”), the largest independent French-language record label in North America, which also includes Éditorial Avenue, Canada’s largest French-language music publisher, in order to continue supporting talented Québec artists and promoting the dissemination of Québec music.

Investing and financing operations

- On February 23, 2022, the Board of Directors of Quebecor declared a quarterly dividend of $0.30 per share on its Class A Multiple Voting Shares (“Class A Shares”) and Class B Subordinate Voting Shares (“Class B Shares”), a 9% increase.
- On February 15, 2022, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2022 to February 2023 and amend certain terms and conditions.
- In December 2021, Investissement Québec granted TVA Group an interest free unsecured loan for a maximum amount of $25.0 million in order to support the construction of MELS’ fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties. As of December 31, 2021, no amount was drawn on the unsecured loan.
- On July 6, 2021, Videotron completed the early redemption of the entirety of its 5.000% Senior Notes due July 15, 2022, in aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount, in accordance with a notice issued on June 3, 2021. The related hedges in an asset position were also unwound.
- On July 5, 2021, Quebecor Media completed the early redemption of the entirety of its 6.625% Senior Notes due January 15, 2023, in aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount, in accordance with a notice issued on June 3, 2021.
- On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of 3.625% Senior Notes due June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of 3.625% Senior Notes due June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million.
- On April 1, 2021, Alithya Group Inc (“Alithya”), a strategy and digital transformation leader, acquired the firm R3D Conseil inc, (“R3D Conseil”) of which Quebecor was one of the main shareholders. As part of this transaction, Quebecor obtained 11.9% of Alithya’s share capital and 6.7% of voting rights related to Alithya’s issued and outstanding shares. The corresponding $19.6 million gain on disposal was accounted for in the second quarter of 2021. This transaction also includes purchase commitments from Quebecor for Alithya’s services totalling approximately $360.0 million as part of a 10-year commercial agreement.
- On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing costs of $6.0 million.

TREND INFORMATION

Competition continues to intensify in the mobile and wireline telephony, Internet access, television and OTT markets. Due to ongoing technological developments, the distinction between those platforms is fading rapidly and the Corporation expects increasing competition from non-traditional businesses across its key business segments. There is also competition from wholesale Internet resellers, which purchase high-speed access services from large companies in order to offer customers their own services. Thus, the subscriber growth recorded in the Telecommunications sector in past years is not necessarily representative of future growth.

Moreover, the Telecommunications segment has in the past required substantial capital for the upgrade, expansion and maintenance of its mobile and wireline networks and the launch and expansion of new or additional services to support growth in its customer base and demand for increased bandwidth capacity and other services. The Corporation expects that additional capital expenditures will be required in the short and medium terms to expand and maintain the Telecommunications segment's systems and services, including expenditures relating to the cost of its mobile services infrastructure, maintenance and enhancement, as well as costs relating to the roll-out of LTE-Advanced/5G technologies. In addition, the demand for wireless data services has been growing constantly and is projected to continue to grow. The anticipated levels of data traffic will represent an increasing challenge to the current mobile network's ability to support this traffic. The Corporation will have to acquire additional spectrum in the future to meet the growing demand.

Some of Quebecor Media's lines of business are cyclical in nature. They are dependent on advertising and, particularly in the newspaper and magazine businesses, on circulation sales. Operating results are therefore sensitive to prevailing economic conditions.

The Media industry has been experiencing fundamental and permanent structural changes. Generalized audience fragmentation has prompted many advertisers to review their media placement strategies and to turn a significant part of their advertising budgets over to international competitors operating solely in digital media. In the broadcasting industry, audiences are increasingly fragmented as viewing habits have shifted toward Internet-based content delivery platforms that allow users greater control over content and timing, such as OTT video services. The Corporation's Media segment has taken steps in order to maintain its leadership position and offer audiences and advertisers alike the best available content, when they want it and on the media platform they want.

Moreover, newspaper and magazine circulation as measured by copies sold has been declining over the past several years in the industry. The traditional run of press advertising for major multimarket retailers has been declining due to a shift in marketing strategy toward other media and to retail industry consolidation. To respond to such competition, the Media segment's operations have developed their Internet presence through branded websites, including specialized websites.

The Sports and Entertainment segment has made significant investments in its efforts to develop the business. The Corporation expects that additional capital expenditures and other investments will be required in order to expand the Sports and Entertainment segment.

In the books and music businesses, digital technology has disrupted buying and consuming habits, particularly with the emergence of vehicles such as music streaming and ebooks, which compete with conventional formats. The Corporation recently developed its own music streaming service, which prominently features Québec music in addition to its international catalogue.

INTEREST IN SUBSIDIARIES

As of December 31, 2021, Quebecor held all the shares of Quebecor Media.

Table 2 shows Quebecor Media's equity interest in its main subsidiaries at December 31, 2021.

Table 2
Quebecor Media's interest (direct and indirect) in its main subsidiaries
As of December 31, 2021

	Percentage of vote	Percentage of equity
Videotron Ltd.	100.0 %	100.0 %
TVA Group Inc.	99.9 %	68.4 %
MediaQMI Inc.	100.0 %	100.0 %
QMI Spectacles inc.	100.0 %	100.0 %

Quebecor Media's interest in its subsidiaries has not varied over the past three years.

2021/2020 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.55 billion, a $236.6 million (5.5%) increase.

- Revenues increased in Telecommunications ($112.4 million or 3.1% of segment revenues), Media ($125.5 million or 19.3%), and Sports and Entertainment ($9.0 million or 5.7%).

Adjusted EBITDA: $1.97 billion, a $20.6 million (1.1%) increase.

- Adjusted EBITDA increased in Sports and Entertainment ($11.7 million or 134.5% of segment adjusted EBITDA), Telecommunications ($11.3 million or 0.6%), despite the $12.6 million unfavourable impact of recognition of a one-time item in 2020, and Media ($1.2 million or 1.5%).
- The change in the fair value of Quebecor and Quebecor Media stock options and the value of Quebecor stock-price-based share units resulted in an $8.7 million favourable variance in the Corporation's stock-based compensation charge in 2021 compared with 2020.

Net income attributable to shareholders: $578.4 million ($2.38 per basic share) in 2021, compared with $607.2 million ($2.41 per basic share) in 2020, a decrease of $28.8 million ($0.03 per basic share).

- The main unfavourable variances were:
  - $80.9 million unfavourable variance related to debt refinancing;
  - $33.2 million decrease in income from discontinued operations;
  - $5.2 million increase in financial expenses.
- The main favourable variances were:
  - $35.1 million favourable variance in restructuring of operations and other items;
  - $20.6 million increase in adjusted EBITDA;
  - $19.4 million decrease in the depreciation and amortization charge;
  - $8.8 million decrease in the income tax expense;
  - $6.4 million favourable variance related to gains on valuation and translation of financial instruments, including $5.6 million without any tax consequences.

Adjusted income from continuing operating activities: $621.9 million ($2.55 per basic share) in 2021, compared with $594.5 million ($2.36 per basic share) in 2020, an increase of $27.4 million ($0.19 per basic share).

Adjusted cash flows from operations: $1.38 billion, a $69.7 million (5.3%) increase due to the $49.1 million decrease in additions to property, plant and equipment and to intangible assets, and the $20.6 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $1.18 billion, a $248.9 million decrease due primarily to the unfavourable net change in non-cash balances related to operating activities and the increase in current income taxes.

Depreciation and amortization charge: $783.8 million in 2021, a $19.4 million decrease due mainly to the impact of decreased investment in property, plant and equipment and intangible assets in the Telecommunications segment, including lower spending related to the leasing of set-top boxes.

Financial expenses: $333.4 million in 2021, a $5.2 million increase due primarily to higher average indebtedness, partially offset by the impact of the lower average interest rate on long-term debt.

Gain on valuation and translation of financial instruments: $14.4 million in 2021, a $6.4 million favourable variance due to a favourable variance, without any tax consequences, in gains on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $4.1 million in 2021, a $35.1 million favourable variance.

- A $25.3 million charge was recognized in 2021 in connection with cost-reduction measures in the Corporation's various segments ($31.6 million in 2020). In addition, a $3.1 million gain on other items was recognized in 2021 ($0.9 million in 2020). A $1.5 million charge for impairment of assets was recognized in connection with various restructuring initiatives in 2021 ($8.5 million in 2020).
- On April 1, 2021, Alithya acquired R3D Conseil, of which Quebecor was one of the main shareholders. The corresponding $19.6 million gain on disposal was recognized in 2021.

Loss on debt refinancing: $80.9 million in 2021.

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, an $80.9 million net loss was recorded in the consolidated statement of income in 2021.

Income tax expense: $197.0 million in 2021 (effective tax rate of 26.5%), compared with $205.8 million in 2020 (effective tax rate of 26.4%), an $8.8 million favourable variance caused mainly by the impact of the decrease in taxable income. The effective tax rate is calculated considering only taxable and deductible items.

SEGMENTED ANALYSIS

Telecommunications

In Quebecor Media's Telecommunications segment, Videotron is a leading cable operator in Canada and the largest in Québec by wireline RGU. Videotron offers advanced mobile telephony services, including high-speed Internet access, mobile television and many other functionalities supported by smartphones. Videotron also offers Internet access services; digital television distribution services, including video-on-demand, pay-per-view and pay TV; wireline telephony services; and an OTT service. As well, Videotron includes Videotron Business, a full-service business telecommunications provider that offers mobile and wireline telephony, high-speed data transmission, Internet access and television services. Videotron also offers Helix, a technology platform that has revolutionized entertainment and home management with features including voice remote, ultra-intelligent Wi-Fi and support for home automation, all tailored to customer needs and preferences.

2021 operating results

Revenues: $3.74 billion in 2021, a $112.4 million (3.1%) increase.

- Revenues from mobile telephony services increased $54.0 million (8.2%) to $712.5 million, due primarily to an increase in the number of subscriber connections.
- Revenues from Internet access services increased $70.0 million (6.2%) to $1.20 billion, due mainly to an increase in average per-subscriber revenues and subscriber base growth.
- Revenues from television services decreased $67.5 million (-7.5%) to $836.1 million, mainly because of a decrease in average per-subscriber revenues and a decrease in the subscriber base.
- Revenues from wireline telephony services decreased $19.9 million (-5.9%) to $318.5 million, mainly because of the impact of the net decrease in subscriber connections, partially offset by higher average per-connection revenues.
- Revenues from mobile equipment sales to customers increased $19.2 million (7.5%) to $276.4 million, mainly because of price increases, partially offset by a decrease in the number of mobile devices sold.
- Revenues from wireline equipment sales to customers increased $52.3 million (34.5%) to $204.0 million, mainly because of higher volume and prices for equipment sales related to the Helix platform.
- Other revenues increased $4.3 million (2.4%) to $186.1 million.

ABPU: Videotron's total ABPU was $50.33 in 2021 compared with $49.94 in 2020, a $0.39 (0.8%) increase. Mobile ABPU was $49.73 in 2021, compared with $50.85 in 2020, a $1.12 (-2.2%) decrease due in part to the popularity of bring-your-own-device ("BYOD") plans.

Customer statistics

RGUs – The total number of RGUs was 6,189,600 at December 31, 2021, an increase of 41,700 (0.7%) in 2021 compared with an increase of 71,700 in 2020 (Table 3).

Mobile telephony – The number of subscriber connections to the mobile telephony service stood at 1,601,900 at December 31, 2021, an increase of 120,800 (8.2%) in 2021 compared with an increase of 150,600 in 2020 (Table 3).

Internet access – The number of subscribers to the Internet access service stood at 1,840,800 at December 31, 2021, an increase of 44,000 (2.4%) in 2021 compared with an increase of 69,500 in 2020 (Table 3).

Television – The number of subscribers to television services stood at 1,418,600 at December 31, 2021, a decrease of 57,000 (-3.9%) in 2021 compared with a decrease of 56,200 in 2020 (Table 3).

Wireline telephony – The number of subscriber connections to the wireline telephony service stood at 824,900 at December 31, 2021, a decrease of 99,800 (-10.8%) in 2021 compared with a decrease of 102,600 in 2020 (Table 3).

OTT video – The number of subscribers to the OTT video service stood at 503,400 at December 31, 2021, an increase of 33,700 (7.2%) in 2021 compared with an increase of 10,400 in 2020 (Table 3).

Table 3
Telecommunications segment year-end RGUs (2017-2021)
(in thousands of customers)

	2021	2020	2019	2018	2017
Mobile telephony	**1,601.9**	1,481.1	1,330.5	1,153.8	1,024.0
Internet	**1,840.8**	1,796.8	1,727.3	1,704.5	1,666.5
Television	**1,418.6**	1,475.6	1,531.8	1,597.3	1,640.5
Wireline telephony	**824.9**	924.7	1,027.3	1,113.9	1,188.5
OTT video	**503.4**	469.7	459.3	420.8	361.6
Total	**6,189.6**	6,147.9	6,076.2	5,990.3	5,881.1

Adjusted EBITDA: $1.88 billion, a $11.3 million (0.6%) increase due primarily to:

- impact of the net revenue increase, net of the cost of equipment sold.

Partially offset by:

- increases in some operating expenses, including engineering, advertising, IT and administrative expenses;
- $12.6 million unfavourable variance related to recognition of a one-time item in 2020.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 49.8% in 2021 compared with 48.5% in 2020. The increase was due primarily to the impact of recognition of a one-time item in 2020 and increases in some operating expenses.

Adjusted cash flows from operations: $1.34 billion in 2021 compared with $1.27 billion in 2020 (Table 14). The $70.3 million (5.5%) increase was due to a $48.4 million decrease in additions to intangible assets, including decreased investment in IT systems, an $11.3 million increase in Adjusted EBITDA and a $10.6 million decrease in additions to property, plant and equipment.

Media

In the Media segment, TVA Group operates the largest French-language private television network in North America. TVA Group is the sole owner of 6 of the 10 television stations in the TVA Network, as well as the specialty channels TVA Sports, LCN, addik^{TV}, Prise 2, Yoopa, CASA, MOI ET CIE, Évasion and Zeste. TVA Group also holds interests in two other TVA Network affiliates. As well, TVA Group is engaged in commercial production and custom publishing through its Communications Qolab inc. (“Communications Qolab”) subsidiary. In addition to linear television, TVA Network and the specialty channels broadcast on-demand and streaming content over multiplatform applications, including the TVA+ website and mobile app, which provide free access to TVA Network programs, some specialty channel content, and original content.

Through its subsidiaries, TVA Group owns MELS Studios and Postproduction G.P. and MELS Dubbing Inc., providers of soundstage, equipment and mobile unit rental, postproduction, dubbing and visual effects services to the film and television industries.

Through the companies in the Incendo Media inc. group, TVA Group is engaged in the production and distribution of television programs, movies and series for international markets.

TVA Group publishes more than 50 magazine titles in various categories, including show business, television, fashion and decorating. It also markets digital products associated with the various magazine brands.

The Media segment also operates two paid daily newspapers, *Le Journal de Montréal* and *Le Journal de Québec*, seven days a week. The websites of the paid dailies, journaldemontreal.com and journaldequebec.com, which provide real-time access to the news on mobiles and tablets, lead the news sites in their markets with more than 4.6 million unique visitors per month (source: ComScore Inc., monthly average unduplicated, January to December 2021). According to corporate figures, the aggregate circulation of the paid newspapers as of December 31, 2021 was approximately 1.4 million copies per week in print and electronic formats.

In addition, the Media segment includes NumériQ inc.(“NumériQ”), which brings together digital strategy and content production assets that are harnessed to create digital platforms and content for the Corporation’s various platforms, and operates a number of other digital brands, including *Le Guide de l’auto, Le sac de chips, Pèse sur Start, Silo 57* and *24heures.ca*. NumériQ owns the QUB platform, which offers all the news entertainment content of Quebecor's brands in one place. NumériQ also owns QUB radio, an online and mobile audio platform with a live radio stream and a library of podcasts, and the QUB musique music streaming platform.

The Corporation's apps and websites log a combined total of more than 6.8 million unique visitors per month in Canada (source: ComScore Inc., November 2021).

The Media segment is also engaged in printing newspapers, distributing newspapers and magazines, and out-of-home advertising. In addition, the segment includes QMI Agency, a news agency that provides content to all Quebecor Media properties; Quebecor Media Expertise, which offers Media segment customers integrated, diversified and complete advertising services; Quebecor Content, which contributes to the creation, development, acquisition and distribution of television content and formats; and Elmire Inc., a digital marketing agency.

2021 operating results

Revenues: $776.0 million in 2021, a $125.5 million (19.3%) increase.

- Advertising revenues increased by $68.5 million (24.0%), mainly because of higher advertising revenues at TVA Network and the specialty channels.
- Other revenues increased by $54.6 million (33.2%), mainly because of higher revenues from film production and audiovisual services, increased volume at Communications Qolab, and higher revenues from TVA Network and from production and distribution services.
- Subscription revenues increased by $2.4 million (1.2%).

Adjusted EBITDA: $83.4 million in 2021, a $1.2 million (1.5%) increase due primarily to:

- impact of the revenue increase.

Partially offset by:

- higher broadcast content costs, mainly because of the resumption of play in the National Hockey League ("NHL") in 2021 and the recovery in television activity in general;
- higher labour costs, essentially as a result of increased volume and the impact of the ending of the segment's eligibility for the government measures introduced to deal with the COVID-19 pandemic.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 89.3% in 2021 compared with 87.4% in 2020. The increase was mainly due to a net increase in broadcast content costs and higher labour costs.

Adjusted cash flows from operations: $38.5 million in 2021 compared with $44.2 million in 2020 (Table 14). The $5.7 million decrease was mainly due to a $6.9 million increase in additions to property, plant and equipment and to intangible assets.

Sports and Entertainment

The Sports and Entertainment segment includes management and operation of the Videotron Centre under an agreement between Quebecor Media and Québec City for usage and naming rights to the arena that was ratified in 2011 and runs through 2040. The segment leases the arena, exploits advertising space, generates sponsorship revenues and operates the food concessions at events. The segment's activities also include the production and coproduction of shows presented at the Videotron Centre and other venues. In addition, the Sports and Entertainment segment operates sports and cultural events manager Event Management Gestev Inc., which is the official imprint for shows and events produced in Québec by Quebecor Media.

The Sports and Entertainment segment includes the activities of the QMJHL hockey teams Armada de Blainville-Boisbriand and Remparts de Québec.

The Sports and Entertainment segment also owns the Théâtre Capitole, a performance venue in Québec City, where the segment rents out the space, exploits the advertising spaces, generates sponsorship revenues and may act as copromoter of some events.

Since the fall of 2021, the segment has also managed the Casino de Montréal's performance space under a renewable annual contract. It is the presenter of shows at the venue.

As well, the Sports and Entertainment segment includes educational publisher CEC Publishing Inc.; Sogides Group Inc., which is engaged in general literature publishing through its 18 publishing houses; and Messageries A.D.P. inc., which distributes print books and ebooks, and which is the exclusive distributor for more than 260 Québec and European French-language publishers.

The Sports and Entertainment segment is engaged in music recording and video production (Disques Musicor and MP3) and concert and event production (Musicor Spectacles). In 2021, Musique Select discontinued its distribution and sub-distribution activities for both physical media and digital content.

Also in 2021, the Sports and Entertainment segment acquired Disques Audiogramme, the largest independent French-language record label in North America.

2021 operating results

Revenues: $167.0 million in 2021, a $9.0 million (5.7%) increase due primarily to higher revenues from book distribution and publishing, including educational publishing, and from hockey activities, partially offset by a decrease in revenues from music, mainly because of the discontinuation of physical distribution operations and lower concert revenues.

Adjusted EBITDA: $20.4 million in 2021, an $11.7 million increase due primarily to the impact of the revenue increase.

Adjusted cash flows from operations: $16.1 million in 2021 compared with $5.3 million in 2020 (Table 14). The $10.8 million increase was due primarily to the $11.7 million increase in adjusted EBITDA.

2021/2020 FOURTH QUARTER COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $1.18 billion, a $37.1 million (3.2%) increase.

- Revenues increased in Telecommunications ($12.2 million or 1.3% of segment revenues), Media ($26.6 million or 14.3%), and Sports and Entertainment ($4.4 million or 9.0%).

Adjusted EBITDA: $498.8 million, a $28.0 million (-5.3%) decrease.

- Adjusted EBITDA decreased in Telecommunications ($15.2 million or -3.2% of segment adjusted EBITDA) and in Media ($16.8 million or -36.8%).
- Adjusted EBITDA increased in Sports and Entertainment ($2.1 million).
- The change in the fair value of Quebecor and Quebecor Media stock options and in the value of Quebecor stock-price-based share units resulted in a $5.6 million favourable variance in the Corporation's stock-based compensation charge in the fourth quarter of 2021 compared with the same period of 2020.

Net income attributable to shareholders: $160.5 million ($0.67 per basic share) in the fourth quarter of 2021, compared with $159.8 million ($0.64 per basic share) in the same period of 2020, a favourable variance of $0.7 million ($0.03 per basic share).

- The main favourable variances were:
  - $15.9 million decrease in the depreciation and amortization charge;
  - $8.1 million favourable variance in gains and losses on valuation and translation of financial instruments, including $7.4 million without any tax consequences;
  - $4.7 million favourable variance in non-controlling interest;
- The unfavourable variance was mainly due to:
  - $28.0 million decrease in adjusted EBITDA.

Adjusted income from continuing operating activities: $157.6 million ($0.66 per basic share) in the fourth quarter of 2021, compared with $165.0 million ($0.66 per basic share) in the same period of 2020, a decrease of $7.4 million.

Adjusted cash flows from operations: $370.6 million, a $25.4 million (7.4%) increase due primarily to a $27.1 million decrease in additions to property, plant and equipment and a $26.3 million decrease in additions to intangible assets, partially offset by the $28.0 million decrease in adjusted EBITDA.

Cash flows from continuing operating activities: $323.1 million, a $53.9 million decrease due primarily to the increase in current income taxes and the decrease in adjusted EBITDA, partially offset by the favourable net change in non-cash balances related to operating activities.

Depreciation and amortization charge: $197.6 million in the fourth quarter of 2021, a $15.9 million decrease due mainly to the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including lower spending related to the leasing of set-top boxes.

Financial expenses: $79.5 million in the fourth quarter of 2021, a $0.4 million increase caused by higher average indebtedness and an unfavourable variance in losses and gains on foreign currency translation of short-term monetary items. Reductions in financial expenses were mainly due to the impact of lower average interest rates on long-term debt.

Gain on valuation and translation of financial instruments: $7.2 million in the fourth quarter of 2021 compared with a $0.9 million loss in the same period of 2020. The $8.1 million favourable variance was due to a $7.4 million favourable variance, without any tax consequences, in gains and losses on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $7.8 million in the fourth quarter of 2021, a $1.7 million unfavourable variance.

- A $7.5 million charge was recognized in the fourth quarter of 2021 in connection with cost-reduction initiatives in the Corporation's various segments ($5.4 million in the fourth quarter of 2020). In addition, a $0.4 million gain on other items was recognized in 2021 ($0.5 million in 2020). In the fourth quarter of 2021, a $0.7 million charge for impairment of assets was also recognized in connection with various restructuring initiatives ($1.2 million in the fourth quarter of 2020).

Income tax expense: $56.6 million in the fourth quarter of 2021 (effective tax rate of 26.5%), compared with $58.1 million in the same period of 2020 (effective tax rate of 25.6%), a $1.5 million favourable variance caused essentially by the impact of the decrease in taxable income.

SEGMENTED ANALYSIS

Telecommunications

Revenues: $953.1 million, a $12.2 million (1.3%) increase due essentially to the same factors as those noted above under "2021/2020 financial year comparison."

- Revenues from the mobile telephony service increased $15.2 million (8.9%) to $185.4 million.
- Revenues from Internet access services increased $9.3 million (3.2%) to $301.6 million.
- Revenues from television services decreased $16.2 million (-7.4%) to $203.8 million.
- Revenues from the wireline telephony service decreased $5.6 million (-6.7%) to $77.7 million.
- Revenues from mobile equipment sales to customers increased $3.5 million (4.5%) to $80.9 million.
- Revenues from wireline equipment sales to customers increased $4.8 million (9.4%) to $55.8 million.
- Other revenues increased $1.2 million (2.6%) to $47.9 million.

ABPU: Videotron's total ABPU was $49.94 in the fourth quarter of 2021, compared with $50.21 in the same period of 2020, a $0.27 (-0.5%) decrease. Mobile ABPU was $48.57 in the fourth quarter of 2021, compared with $50.52 in the same period of 2020, a $1.95 (-3.9%) decrease due in part to the popularity of BYOD plans.

Customer statistics

RGUs – 43,000 (0.7%) unit increase in the fourth quarter of 2021 compared with an increase of 43,000 in the same period of 2020.

Mobile telephony – 30,600 (1.9%) subscriber-connection increase in the fourth quarter of 2021 compared with an increase of 28,500 in the same period of 2020.

Internet access – 8,100 (0.4%) subscriber increase in the fourth quarter of 2021 compared with an increase of 27,000 in the same period of 2020.

Television – 9,400 (-0.7%) subscriber decrease in the fourth quarter of 2021 compared with a decrease of 6,200 in the same period of 2020.

Wireline telephony – 22,500 (-2.7%) subscriber-connection decrease in the fourth quarter of 2021 compared with a decrease of 23,100 in the same period of 2020.

OTT video – 36,200 (7.7%) subscriber increase in the fourth quarter of 2021 compared with an increase of 16,800 in the same period of 2020.

Adjusted EBITDA: $466.5 million, a $15.2 million (-3.2%) decrease due primarily to:

- increases in some operating expenses, including IT, administrative, engineering and advertising costs;
- impact of increases in the cost of equipment sold.

Cost/revenue ratio: Employee costs and purchases of goods and services for all Telecommunications segment operations, expressed as a percentage of revenues, were 51.1% in the fourth quarter of 2021 compared with 48.8% in the same period of 2020. The increase was mainly due to increases in some operating expenses and in the cost of equipment sold.

Adjusted cash flows from operations: $358.3 million in the fourth quarter of 2021 compared with $317.1 million in the same period of 2020 (Table 14). The $41.2 million increase was caused by a $28.9 million decrease in additions to property, plant and equipment due to a general slowdown in investment following a review of the strategic priorities, and a $27.5 million decrease in additions to intangible assets, also due to the strategic priorities review, partially offset by the $15.2 million decrease in adjusted EBITDA.

Media

Revenues: $212.4 million in the fourth quarter of 2021, a $26.6 million (14.3%) increase.

- Advertising revenues increased by $16.9 million (19.5%), mainly because of higher advertising revenues at TVA Network and the specialty channels.
- Other revenues increased by $9.7 million (20.0%), mainly because of increased volume at Communications Qolab and higher revenues from production and distribution services.

Adjusted EBITDA: $28.8 million in the fourth quarter of 2021, a $16.8 million (-36.8%) decrease due primarily to:

- higher broadcast content costs, mainly because of the resumption of play in the NHL in the fourth quarter of 2021 and the recovery in television activity in general;

Partially offset by:

- impact of the revenue increase.

Cost/revenue ratio: Employee costs and purchases of goods and services for the Media segment's operations, expressed as a percentage of revenues, were 86.4% in the fourth quarter of 2021 compared with 75.5% in the same period of 2020. The increase was mainly due to an increase in broadcast content costs.

Adjusted cash flows from operations: $11.5 million in the fourth quarter of 2021 compared with $30.8 million in the same period of 2020 (Table 14). The $19.3 million decrease was mainly due to the $16.8 million decrease in adjusted EBITDA and a $2.5 million increase in additions to property, plant and equipment and to intangible assets.

Sports and Entertainment

Revenues: $53.2 million in the fourth quarter of 2021, a $4.4 million (9.0%) increase due primarily to higher revenues from hockey, music, and book distribution and publishing, partially offset by lower revenues from concerts and sporting events.

Adjusted EBITDA: $4.2 million in the fourth quarter of 2021, a $2.1 million increase due primarily to the impact of the increase in revenues.

Adjusted cash flows from operations: $2.5 million in the fourth quarter of 2021 compared with $1.2 million in the same period of 2020 (Table 14). The $1.3 million increase was due to the $2.1 million increase in adjusted EBITDA, partially offset by a $0.8 million increase in additions to property, plant and equipment and to intangible assets.

2020/2019 FINANCIAL YEAR COMPARISON

Analysis of consolidated results of operations and cash flows of Quebecor

Revenues: $4.32 billion, a $24.0 million (0.6%) increase.

- Revenues increased in Telecommunications ($142.2 million or 4.1% of segment revenues).
- Revenues decreased in Media ($87.5 million or -11.9% of segment revenues) and in Sports and Entertainment ($34.2 million or -17.8%).

Adjusted EBITDA: $1.95 billion, a $73.1 million (3.9%) increase.

- Adjusted EBITDA increased in Telecommunications ($61.0 million or 3.4% of segment adjusted EBITDA), Media ($7.4 million or 9.9%), and Sports and Entertainment ($1.4 million or 19.2%).
- There was a favourable variance at Head Office ($3.3 million).
- The change in the fair value of Quebecor Media stock options resulted in a $1.5 million favourable variance in the stock-based compensation charge in 2020 compared with 2019. The change in the fair value of Quebecor stock options and in the value of Quebecor stock-price-based share units resulted in a $7.2 million favourable variance in the Corporation's stock-based compensation charge in 2020.

Net income attributable to shareholders: $607.2 million ($2.41 per basic share) in 2020, compared with $652.8 million ($2.55 per basic share) in 2019, a decrease of $45.6 million ($0.14 per basic share).

- The main unfavourable variances were:
  - $64.3 million decrease in income from discontinued operations;
  - $52.8 million increase in the depreciation and amortization charge;
  - $10.6 million unfavourable variance in the charge for restructuring of operations and other items.
- The main favourable variances were:
  - $73.1 million increase in adjusted EBITDA;
  - $14.5 million favourable variance in gains and losses on valuation and translation of financial instruments, including $15.0 million without any tax consequences.

Adjusted income from continuing operating activities: $594.5 million ($2.36 per basic share) in 2020, compared with $581.0 million ($2.27 per basic share) in 2019, an increase of $13.5 million ($0.09 per basic share).

Adjusted cash flows from operations: $1.31 billion in 2020, a $168.3 million (14.7%) increase due to a $67.8 million decrease in additions to property, plant and equipment, a $27.4 million decrease in additions to intangible assets, and the $73.1 million increase in adjusted EBITDA.

Cash flows provided by continuing operating activities: $1.43 billion in 2020, a $219.7 million (18.1%) increase due primarily to the favourable net change in non-cash balances related to operating activities and the increase in adjusted EBITDA, partially offset by the increase in current income taxes and the increase in the cash portion related to restructuring of operations and other items.

Depreciation and amortization charge: $803.2 million in 2020, an $52.8 million increase due mainly to the impact of investments in property, plant and equipment and in intangible assets in the Telecommunications segment, including the amortization of intangible assets related to investments in the Helix platform, and the impact of the revision of the depreciation period for some capital assets in the Telecommunications segment in consideration of technological developments, partially offset by lower spending related to the leasing of set-top boxes.

Financial expenses: $328.2 million in 2020, a $0.7 million increase. The impact of higher average interest on the long-term debt was offset by lower average indebtedness.

Gain on valuation and translation of financial instruments: $8.0 million in 2020 compared with a $6.5 million loss in 2019. The $14.5 million favourable variance was due to a $15.0 million favourable variance, without any tax consequences, in the gain on embedded derivatives related to convertible debentures.

Charge for restructuring of operations and other items: $39.2 million in 2020 compared with $28.6 million in 2019, a $10.6 million increase.

- A $30.7 million net restructuring charge was recognized in 2020 in connection with cost-reduction initiatives in the Corporation's various segments ($9.8 million in 2019). An $8.5 million charge for impairment of assets was also recognized in 2020 in connection with restructuring initiatives ($18.8 million in 2019).

Income tax expense: $205.8 million in 2020 (effective tax rate of 26.4%), compared with $205.7 million in 2019 (effective tax rate of 26.6%), a $0.1 million unfavourable variance.

CASH FLOWS AND FINANCIAL POSITION

This section provides an analysis of the Corporation's sources and uses of cash flows, as well as a financial position analysis as of the balance sheet date. This section should be read in conjunction with the discussion of trends under "Trend Information" above, the risk analysis in the "Risks and Uncertainties" section below, and the discussion of the Corporation's financial risks under "Financial Instruments and Financial Risk Management" below.

Operating activities

Cash flows provided by continuing operating activities: $1.18 billion in 2021 compared with $1.43 billion in 2020.

The $248.9 million decrease was mainly due to:

- $227.1 million unfavourable net change in non-cash balances related to operating activities, due primarily to unfavourable variances in accounts receivable, income tax payable, accounts payable and accrued charges, prepaid expenses and inventory, partially offset by the favourable variance in contract assets and deferred revenues;
- $48.2 million increase in current income taxes;
- $5.4 million increase in the cash portion of financial expenses.

Partially offset by:

- $20.6 million increase in adjusted EBITDA;
- $9.6 million favourable variance in the cash portion of restructuring of operations and other items.

The unfavourable net change in non-cash items related to operating activities and the increase in current income taxes had an unfavourable impact on cash flows provided by continuing operating activities in 2021 compared with 2020, while the increase in profitability had a favourable impact.

Working capital: $50.4 million at December 31, 2021 compared with negative $70.4 million at December 31, 2020. The $120.8 million favourable variance was due primarily to an increase in accounts receivable and inventory, partially offset by a decrease in cash and cash equivalents and in contract assets.

Investing activities

Cash flows used for additions to property, plant and equipment: $429.3 million in 2021 compared with $447.2 million in 2020. The $17.9 million decrease mainly reflects a $13.5 million favourable net change in current non-cash items.

Cash flows used for additions to intangible assets: $1.02 billion in 2021 compared with $205.9 million in 2020. The $812.8 million increase mainly reflects Videotron's acquisition of spectrum licences in the 3500 MHz band for a total of $830.0 million.

Proceeds from disposal of assets: $7.7 million in 2021 compared with $4.4 million in 2020.

Net business acquisitions: $21.0 million in 2021 compared with $47.1 million in 2020. The $26.1 million decrease reflects, in part, the acquisition of Télédistribution Amos inc. in 2020 in the Telecommunications segment.

Business disposals: $0.2 million in 2020.

Free cash flows from continuing operating activities[1]

Free cash flows from continuing operating activities: $572.3 million in 2021 compared with $782.8 million in 2020 (Table 15).

The $210.5 million decrease was mainly due to:

- $248.9 million decrease in cash flows provided by continuing operating activities;

Partially offset by:

- $17.9 million decrease in cash flows used for additions to property, plant and equipment;
- $17.2 million decrease in cash flows used for additions to intangible assets, excluding the spectrum licences.

Financing activities

Consolidated debt (long-term debt plus bank indebtedness): $749.3 million increase in 2021; $214.8 million reduction in net assets related to derivative financial instruments.

- Additions to debt in 2021 essentially consisted of:
  - issuance on January 22, 2021 by Videotron of $650.0 million aggregate principal amount of 3.125% Senior Notes maturing on January 15, 2031 for net proceeds of $644.0 million, net of financing costs of $6.0 million;
  - issuance on June 17, 2021 by Videotron of $750.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of 3.625% Senior Notes maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million;
  - $285.0 million increase in Videotron's drawings on its secured revolving credit facility.
- Debt reductions in 2021 essentially consisted of:
  - early redemption by Videotron on July 6, 2021 of the entirety of its 5.000% Senior Notes due July 15, 2022, in aggregate principal amount of US$800.0 million, at a redemption price of 104.002% of their principal amount, in accordance with a notice issued on June 3, 2021;
  - early redemption by Quebecor Media on July 5, 2021 of the entirety of its 6.625% Senior Notes due January 15, 2023, in aggregate principal amount of $500.0 million, at a redemption price of 107.934% of their principal amount, in accordance with a notice issued on June 3, 2021;
  - $22.6 million favourable impact of exchange rate fluctuations. The consolidated debt reduction attributable to this item was offset by the decrease in the asset (or increase in the liability) related to derivative financial instruments;
  - $15.1 million decrease in TVA Group's drawings on its secured revolving credit facility.
- Assets and liabilities related to derivative financial instruments totalled a net asset of $597.1 million at December 31, 2020 compared with $382.3 million at December 31, 2021. The $214.8 million decrease was mainly due to:
  - unwinding of Videotron's hedges in an asset position in connection with the early redemption on July 6, 2021 of its 5.000% Senior Notes in aggregate principal amount of US$800.0 million;
  - unfavourable impact of exchange rate fluctuations on the value of derivative financial instruments;
  - unfavourable impact of interest rate trends in Canada, compared with the United States, on the fair value of derivative financial instruments.
- On February 15, 2022, TVA Group amended its $75.0 million secured revolving credit facility to extend its term from February 2022 to February 2023 and amend certain terms and conditions.

[1] See "Non-IFRS Financial Measures" below.

- In December 2021, Investissement Québec granted TVA Group an interest free unsecured loan for a maximum amount of $25.0 million in order to support the construction of MELS' fourth production studio. The loan contains certain restrictive covenants as well as typical representations and warranties. As of December 31, 2021, no amount was drawn on the unsecured loan.

Financial Position

Net available liquidity: $1.57 billion at December 31, 2021 for Quebecor and its wholly owned subsidiaries, consisting of $1.51 billion in available unused revolving credit facilities and $56.5 million in cash and cash equivalents.

Consolidated debt (long-term debt plus bank indebtedness): $6.52 billion at December 31, 2021, a $749.3 million increase compared with December 31, 2020; $214.8 million reduction in net assets related to derivative financial instruments (see "Financing activities" above).

- Consolidated debt essentially consisted of Videotron's $5.38 billion debt ($4.11 billion at December 31, 2020); TVA Group's $12.0 million debt ($28.8 million at December 31, 2020); Quebecor Media's $1.09 billion debt ($1.59 billion at December 31, 2020); and Quebecor's $44.5 million debt ($45.9 million at December 31, 2020).

As at December 31, 2021, minimum principal payments on long-term debt in the coming years are as follows:

Table 4
Minimum principal payments on Quebecor's long-term debt
12 months ending December 31
(in millions of Canadian dollars)

2022	$	56.5
2023		1,374.2
2024		758.2
2025		400.0
2026		375.0
2027 and thereafter		3,590.1
Total	**$**	**6,554.0**

From time to time, Quebecor may (but is under no obligation to) seek to retire or purchase its outstanding securities, including debentures, in open market purchases, privately negotiated transactions, or otherwise. Such repurchases, if any, will depend on its liquidity position and requirements, prevailing market conditions, contractual restrictions and other factors. The amounts involved may be material.

The weighted average term of Quebecor's consolidated debt was approximately 5.1 years as of December 31, 2021, compared with 4.3 years as of December 31, 2020). After taking into account hedging instruments, the debt consisted of approximately 91.7% fixed-rate debt (96.1% at December 31, 2020) and 8.3% floating-rate debt (3.9% at December 31, 2020).

Management of the Corporation believes that cash flows and available sources of financing should be sufficient to cover committed cash requirements for capital investments, working capital, interest payments, income tax payments, debt and lease repayments, pension plan contributions, share repurchases, and dividend payments to shareholders. The Corporation believes it will be able to meet future debt maturities, which are staggered over the coming years.

Pursuant to its financing agreements, the Corporation is required to maintain certain financial ratios and comply with certain financial covenants. At December 31, 2021, the Corporation was in compliance with all required financial ratios and restrictive covenants in its financing agreements.

Dividends declared

On February 23, 2022, the Board of Directors of Quebecor declared a quarterly dividend of $0.30 per share on its Class A Multiple Voting Shares (“Class A Shares”) and Class B Subordinate Voting Shares (“Class B Shares”), payable on April 5, 2022 to shareholders of record at the close of business on March 11, 2022.

Convertible debentures

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on November 3, 2021 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Accordingly, effective November 18, 2021, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $25.49 per share (that is, a maximum number of approximately 5,883,572 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $31.87 per share (that is, a minimum number of approximately 4,706,858 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

Board of directors

After a period of reflection in recent months, Mr. Normand Provost announced that he was leaving his position as director after 17 years on the board of directors of Quebecor Media and 8 years on the board of the Corporation. Over the years, Mr. Provost has notably acted as a member of the Executive Committee of Quebecor Media and as Chairman of the Audit and Risk Management Committee of the Corporation, Quebecor Media and Videotron.

Analysis of consolidated balance sheet at December 31, 2021

Table 5
Consolidated balance sheet of Quebecor
Analysis of main variances between December 31, 2021 and 2020
(in millions of Canadian dollars)

	Dec. 31, 2021[1]	Dec. 31, 2020	Difference	Main reasons for difference
Assets				
Cash and cash equivalents	**$ 64.7**	$ 136.7	$ (72.0)	Cash flows used in investing activities
Accounts receivable	**745.1**	563.6	181.5	Impact of current variances in activities, including increased financing of equipment sales, and current portion of government credits receivable for major capital projects
Contract assets	**129.4**	174.9	(45.5)	Increased financing of equipment sales
Inventories	**282.6**	250.7	31.9	Impact of current variances in activity
Property, plant and equipment	**3,058.7**	3,189.2	(130.5)	Depreciation for the period less additions to property, plant and equipment
Intangible assets	**2,344.1**	1,466.7	877.4	Acquisition of spectrum in the 3500 MHz band, additions to intangible assets and business acquisitions, less amortization for the period
Derivative financial instruments[2]	**382.3**	597.1	(214.8)	See “Financing activities”
Other assets	**521.1**	433.8	87.3	Impact of current variances in operating activities, including the impact of increased financing of equipment sales, and the impact of investing activities
Liabilities				
Income taxes[3]	**40.1**	65.1	(25.0)	Current disbursements less current income taxes for the period
Long-term debt, including short-term portion and bank indebtedness	**6,524.4**	5,775.1	749.3	See “Financing activities”
Other liabilities	**293.2**	422.8	(129.6)	Gain on remeasurement of defined benefit plans less upward adjustment of liabilities related to dismantling of assets

1 The “restricted cash” and “deferred subsidies” line items are combined for purposes of the analysis.
2 Long-term assets less long-term liabilities.
3 Current liabilities less current assets.

ADDITIONAL INFORMATION

Contractual obligations

At December 31, 2021, material contractual obligations of operating activities included: capital repayment and interest on long-term debt; convertible debentures and lease liabilities; capital asset purchases and other commitments; and obligations related to derivative financial instruments, less estimated future receipts on derivative financial instruments. Table 6 below shows a summary of these contractual obligations.

Table 6
Contractual obligations of Quebecor as of December 31, 2021
(in millions of Canadian dollars)

	Total	Under 1 year	1-3 years	3-5 years	5 years or more
Long-term debt[1]	**$ 6,554.0**	$ 56.5	$ 2,132.4	$ 775.0	$ 3,590.1
Convertible debentures[2]	**150.0**	–	150.0	–	–
Interest payments[3]	**1,375.7**	254.1	453.3	338.5	329.8
Lease liabilities	**183.2**	36.1	59.4	28.8	58.9
Interest payments on lease liabilities	**43.9**	7.3	10.5	7.0	19.1
Additions to property, plant and equipment and other commitments	**1,473.8**	322.1	449.9	315.1	386.7
Derivative financial instruments[4]	**(332.8)**	1.6	(354.2)	–	19.8
Total contractual obligations	**$ 9,447.8**	**$ 677.7**	**$ 2,901.3**	**$ 1,464.4**	**$ 4,404.4**

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.
2 Based on the market value at December 31, 2021 of a number of shares obtained by dividing the outstanding principal amount by the market price of a Quebecor Class B share at that date, subject to a floor price of approximately $25.49 per share and a ceiling price of approximately $31.87. The Corporation may also redeem convertible debentures by issuing the corresponding number of its Class B Shares.
3 Estimated interest payable on long-term debt and convertible debentures, based on interest rates, hedging of interest rates and hedging of foreign exchange rates as of December 31, 2021.
4 Estimated future receipts, net of future disbursements, related to foreign exchange hedging on the principal of U.S.-dollar-denominated debt using derivative financial instruments.

Significant commitments included in Table 6

Videotron has 20-year service sharing and exchange agreements with Rogers Communications Inc. to build out and operate an LTE network in Québec and the Ottawa area. It also has an agreement with Comcast Corporation to develop an innovative Internet Protocol Television ("IPTV") delivery solution, as well as agreements for the roll-out of LTE-A and 5G technologies and the purchase of mobile devices. As at December 31, 2021, the balance of those commitments stood at $425.2 million.

The Quebecor Out of Home division has agreements with various Québec transit commissions for the installation and maintenance of bus shelters, and for advertising rights on bus shelters and buses. As at December 31, 2021, the balance of those commitments stood at $96.3 million.

In the normal course of business, the Media segment, through TVA Group, contracts commitments regarding broadcast rights for television programs, sporting events and films, as well as distribution rights for audiovisual content. As at December 31, 2021, the balance of those commitments stood at $459.4 million.

Pension plan contributions

The expected employer contributions to the Corporation’s defined benefit pension plans and post-retirement benefit plans will be $38.2 million in 2022, based on the most recent financial actuarial reports filed (contributions of $39.8 million were paid in 2021).

Related party transactions

During the year ended December 31, 2021, the Corporation incurred expenses to affiliated corporations in the amount of $13.3 million ($12.6 million in 2020), which included the purchase of goods and services, and acquired property, plant and equipment and intangible assets from affiliated corporations in the amount of $4.6 million (nil in 2020). The Corporation also made sales to affiliated corporations in the amount of $7.8 million in 2021 ($3.7 million in 2020). These transactions were accounted for at the consideration agreed between parties.

Off-balance sheet arrangements

Guarantees

In the normal course of business, the Corporation enters into numerous agreements containing guarantees, including the following:

Business and asset disposals

In the sale of all or part of a business or an asset, in addition to possible indemnification relating to failure to perform covenants and breach of representations or warranties, the Corporation may agree to indemnify against claims related to the past conduct of the business. Typically, the term and amount of such indemnification will be limited by the agreement. The nature of these indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay to guaranteed parties. The Corporation has not accrued any amount in respect of these items on the consolidated balance sheets.

Outsourcing companies and suppliers

In the normal course of its operations, the Corporation enters into contractual agreements with outsourcing companies and suppliers. In some cases, the Corporation agrees to provide indemnifications in the event of legal procedures initiated against them. In other cases, the Corporation provides indemnification to counterparties for damages resulting from the outsourcing companies and suppliers. The nature of the indemnification agreements prevents the Corporation from estimating the maximum potential liability it could be required to pay. No amount has been accrued on the consolidated balance sheets with respect to these indemnifications.

Capital stock

In accordance with Canadian financial reporting standards, Table 7 presents information on the Corporation's capital stock as at February 3, 2022. In addition, 2,319,600 share options were outstanding as of February 3, 2022.

Table 7
Capital stock
(in shares and millions of Canadian dollars)

	February 3, 2022		
	Issued and outstanding		**Book value**
Class A Shares	**76,984,034**	**$**	**8.6**
Class B Shares	**162,273,507**	**$**	**956.6**

On August 4, 2021, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On August 6, 2021, the Corporation entered into an automatic securities purchase plan ("the plan") with a designated broker whereby shares may be repurchased under the plan at times when such purchases would otherwise be prohibited pursuant to regulatory restrictions or self-imposed blackout periods. The plan received prior approval from the Toronto Stock Exchange. It came into effect on August 15, 2021 and will terminate on the same date as the normal course issuer bid.

Under the plan, before entering a self-imposed blackout period, the Corporation may, but is not required to, ask the designated broker to make purchases under the normal course issuer bid. Such purchases shall be made at the discretion of the designated broker, within parameters established by the Corporation prior to the blackout periods. Outside the blackout periods, purchases will be made at the discretion of the Corporation's management.

In 2021, the Corporation purchased and cancelled 8,914,650 Class B Shares for a total cash consideration of $282.4 million (6,457,050 Class B Shares for a total cash consideration of $201.2 million in 2020). The excess of $229.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded as a reduction of retained earnings ($163.1 million in 2020).

Risks and Uncertainties

The Corporation operates in the telecommunications, media, and sports and entertainment industries, which entails a variety of risk factors and uncertainties. The Corporation's operating environment and financial results may be materially affected by the risks and uncertainties discussed below.

Increased competition from non-traditional sources

The Corporation faces technological substitution across all its key business segments. Due to ongoing technological developments, the distinction between broadcasting, Internet and wireline and mobile telephony platforms is fading rapidly. For instance, content producers and providers are leveraging their content rights and pursuing strategies to deploy their own OTT distribution platforms in order to reach consumers directly via the Internet. By doing so, content producers and providers are less dependent on content aggregators, such as Videotron. The Internet, including through mobile devices, provides an important broadcasting and distribution service. More specifically, an increasing number of the Corporation's customers are using mobile devices as their primary means of video entertainment; therefore, in direct competition with its television and wireline Internet access services. In addition, mobile operators, through the development of their mobile networks, offer wireless and fixed wireless Internet services, which compete with the Corporation's wireline Internet access service. Due to the converging nature of technological advances, the Corporation expects increasing competition from non-traditional businesses, which may affect its overall business strategy and could adversely affect its business, financial condition and results of operations.

Competition and technological development

In its television business, the Corporation competes against incumbent local exchange carriers ("ILECs") and third-party Internet access ("TPIA") providers. These competitors have rolled out their own IPTV service in the vast majority of the territory in which the Corporation operates.

The rapidly growing landscape of OTT content providers, many of which having substantial financial resources, now compete directly for viewership and a share of the monthly entertainment spend. Furthermore, the OTT content providers' attractive price points (which are in part due to the fact that they do not contribute financially to the Canadian traditional television business model or Internet infrastructure and are not subject to Canadian Radio-television and Telecommunications Commission ("CRTC") regulations) may make the Corporation's traditional offer less appealing for its customers and may affect its ability to retain and acquire customers. Consequently, this could place the Corporation at a competitive disadvantage, lead to increased operational costs and have an adverse effect on its business, prospects, revenues, financial condition and results of operations.

Furthermore, the Corporation faces competition from illegal providers of television services and illegal access to non-Canadian direct broadcast satellite ("DBS") signal (also called grey market piracy), as well as from signal theft of DBS that enables customers to access programming services from U.S. and Canadian DBS without paying any fees (also called black market piracy).

In its Internet access business, the Corporation faces competition from several resellers who have access to the wholesale TPIA service mandated by the CRTC. These TPIA providers may also provide telephony and networking applications and have entered the IPTV market. Their market share is significant and growing, especially in Québec and Ontario, the two regions in Canada where they have been particularly active and aggressively pricing their services.

On May 27, 2021, the CRTC issued a decision to TPIA providers adopting the interim wholesale rates set on October 6, 2016 as final rates, with certain modifications, including the removal of the supplementary markup of 10% for incumbent local exchange carriers. From May 28, 2021 to August 25, 2021, several TPIA providers petitioned the Governor in Council to, among other things, restore the lower rates set in the 2019 Order as final. On June 28, 2021, one of these TPIA providers also filed a motion with the Federal Court of Appeal seeking leave to appeal the May 27, 2021 decision. A coalition comprised of the five largest cable carriers, including Videotron, filed comments in relation to these petitions on September 22, 2021 and November 1, 2021. The same coalition will defend the CRTC decision at the Federal Court of Appeal.

The Corporation also competes against other ISPs offering residential and commercial Internet access services as well as fixed wireless access and open Wi-Fi networks in some cities. The main competitors are the ILECs that offer Internet access through digital subscriber line, fibre to the node and fibre to the home technologies, in certain cases offering download speeds comparable, or superior to the Corporation's. In addition, satellite operators such as Xplornet, Telesat and Starlink are increasing their existing high-speed Internet access capabilities with the launch of high-throughput satellites, targeting households in low population density and remote locations and claiming future download speeds comparable to the Corporation's low and medium download speeds. Finally, certain municipalities also plan to build and operate their own broadband networks. They plan to do so through public/private partnership arrangements, competing directly with the Corporation in some of its local markets.

The Corporation's wireline business has numerous competitors, including ILECs, competitive local exchange carriers, mobile telephony service operators and other providers of Voice over Internet Protocol ("VoIP") and cloud-based telephony. Some of these competitors are not facility-based and therefore have much lower infrastructure costs. In addition, Internet protocol-based products and services are generally subject to downward pricing pressure, lower margins and technological evolution, all of which could have an adverse effect on the Corporation's business, prospects, revenues, financial condition and results of operations.

In its mobile telephony business, the Corporation competes against a mix of market participants, some of them active in its territory in some or all of the products it offers, with others offering only mobile telephony services. In addition, users of mobile voice and data systems may find their communication needs satisfied by other current adjunct technologies, such as Wi-Fi, "hotspots" or trunk radio systems, which have the technical capability to handle mobile data communication and mobile telephone calls. There can be no assurance that current or future competitors will not provide network capacity and/or services comparable or superior to those the Corporation provides or may in the future provide, or at lower prices, or adapt more quickly to evolving industry trends or changing market requirements or introduce competing services. For instance, some providers of mobile telephony services (including incumbent carriers) have deployed and have been operating for many years lower-cost mobile telephony brands in order to acquire additional market share. Furthermore, CRTC's recent decision ordering the national incumbent wireless carriers to provide mobile virtual network operator ("MVNO") access services to regional wireless carriers for a period of seven years stands to have significant impact on the Corporation's competitive environment, as the Corporation could see the emergence of new MVNO competitors. the Corporation may not be able to compete successfully in the future against existing and such potential new competitors; increased competition could have a material adverse effect on its business, prospects, revenues, financial condition and results of operations.

Finally, many of its competitors are offering special bundling discounts to customers who subscribe to two or more of their services (television, Internet access, wireline and mobile telephony services). Should the Corporation fail to keep its existing customers and lose them to such competitors, it may end up losing a subscriber for multiple services as a result of its bundling strategy. This could have an adverse effect on its business, prospects, revenues, financial condition, and results of operations.

Fierce price competition in all the Corporation's businesses and across the industries in which it operates, combined with the declining demand for certain traditional products, may affect the Corporation's ability to raise the price of its products and services commensurately with increases in its operating costs, as it has done in the past. This could have an adverse effect on its business, revenues, financial condition, and results of operations.

Capital to address significant and rapid technological changes

New technologies in the telecommunication industry, including 5G technology, are evolving faster than the historical industry investment cycle. Their introduction and pace of adoption could result in requirements for additional immediate capital investments not currently planned, as well as shorter estimated useful lives for certain of the Corporation's existing assets. The Corporation's strategy of maintaining a competitive position in the suite of products and services it offers and of launching new products and services requires capital investments in its networks, information technology systems and infrastructure, as well as the acquisition of spectrum to support growth in its customer base and its demands for increased bandwidth capacity and other services.

The Corporation must continually invest in its services, networks and technologies due to the rapid evolution of technologies, or it may be required to acquire, develop or integrate new technologies. Improvements in its services depend on many factors. The cost of the acquisition, development or implementation of new technologies and spectrum could be significant and the Corporation's ability to fund such acquisition, development or implementation may be limited, which could have a material adverse effect on its ability to successfully compete in the future. Any such difficulty or inability to compete could have a material adverse effect on its business, reputation, prospects, financial condition and results of operations.

In the past, the Corporation has required substantial capital for the upgrade, expansion and maintenance of its networks and the launch and deployment of new or additional services. The Corporation expects that additional capital expenditures will continue to be required in the short-term, mid-term and long-term in order to maintain, expand geographically and enhance its networks systems and services, including expenditures relating to the deployment of LTE-Advanced/5G mobile technologies. Moreover, additional investments in the Corporation's business may not translate into incremental revenues, cash flows or profitability.

Epidemics, pandemics and other public health emergencies

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. The overall impact on the Corporation's business and activities is still uncertain and cannot be evaluated with precision despite recent developments relating to vaccines, considering future developments such as the spread of the virus, the expected date of termination of the crisis, the risks associated with potential future waves of the virus, its impact on consumer spending, labour shortages due to the virus, the continuing disruption in the supply chain and the effectiveness or the strictness of the actions taken by the federal and Québec governments to manage the pandemic. Public and private sector regulations, policies and other measures aimed at reducing the spread of the COVID-19 pandemic include the suspension of business activities deemed non-essential when needed, restrictions on the movement of personnel, the promotion of physical and social distancing, lockdown orders, border closures, travel bans, self-imposed quarantine periods, self-isolation, and the adoption of work-from-home and online education by companies, schools and institutions.

Potential adverse impacts of the COVID-19 pandemic include, but are not limited to: (i) a reduction in demand for the Corporation's products or services, or an increase in delinquent or unpaid bills, due to job losses and associated financial hardship; (ii) a decline in revenues as a result of services provided at no cost to customers; (iii) a decline in access fees for speciality television services and exclusive on-demand content due to the postponement or cancellation of sporting events; (iv) the temporary suspension of the Corporation's content production activities, a reduction in the availability of external content, and therefore a reduction in the Corporation's ability to provide the content and programming that its customers expect; (v) a downgrade or cancellation of customer services; (vi) issues delivering the Corporation's products and services; (vii) lost revenues due to the significant economic challenges that small and medium-sized business customers are facing; (viii) lower advertising revenues and reduced film and audiovisual content activity in the Media segment; (ix) delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment; (x) uncertainty associated with the costs and availability of resources required to provide appropriate levels of service to customers; (xi) additional capital expenditures, and uncertainty associated with costs, delays and the availability of resources required to maintain, upgrade or expand Videotron's network in order to accommodate increased network usage, and to expand its self-install and self-serve programs in order to attract new customers; (xii) unexpected increase of user data demand and increased pressure on Videotron's network capacity, which could negatively affect its network's performance, availability, speed, consistency and its ability to provide services; (xiii) the ability of certain suppliers and vendors to provide products and services to the Corporation; (xiv) the impact of legislation, regulations and other government interventions in response to the COVID-19 pandemic; (xv) the negative impact on global credit and capital markets; and (xvi) the ability to access capital markets at a reasonable cost or at all. Any of these risks and uncertainties could have a material adverse impact on the Corporation's business, prospects, results of operations and financial condition.

The outbreak of the COVID-19 pandemic has resulted in significant economic interventions by the federal, provincial, and municipal governments throughout Canada, which include, notably, grants, wage subsidies, incentives, increased assistance programs and loans, as well as temporary relief measures put in place by regulatory agencies to support certain economic activities, industries or major employers. There can be no assurance that these economic mitigation measures will continue at their present levels or at all.

Ongoing access to spectrum

Wireless, video and broadband services are undergoing rapid and significant technological changes and a dramatic increase in usage – in particular, from the demand for faster and seamless usage of video and data across mobile and fixed devices. It is projected that this demand will continue to accelerate, driven by the following increases: levels of broadband penetration; need for personal connectivity and networking; teleworking; affordability of mobile devices; multimedia-rich services and applications; and unlimited data plans. The anticipated levels of data traffic will represent a growing challenge to the current mobile network's ability to serve this traffic. The Corporation will have to acquire additional spectrum in order to address this increased demand. The ability to acquire additional spectrum at a reasonable price or at all is dependent on competition level as well as the spectrum auction timing and rules. In previous auctions, ISED Canada has used, and the Corporation has benefited from, certain measures to support competition, which notably included set-asides and spectrum aggregation limits ensuring that a minimum amount of spectrum was effectively reserved for eligible facilities-based telecommunication service providers that were not national incumbent wireless carriers. There can be no assurance that these pro-competition measures will be used again by ISED Canada in future auctions, or that the Corporation will be or remain eligible to benefit from such measures. If the Corporation is not successful in acquiring additional spectrum it may need on reasonable terms, or not at all, that could have a material adverse effect on its business, prospects and financial condition.

Roaming agreements

The Corporation has entered into roaming agreements with multiple carriers around the world and has thereby established worldwide coverage for its customers. Should it be unable to extend its worldwide coverage, or to renew or substitute for these roaming agreements on acceptable terms, the Corporation may be placed at a competitive disadvantage, which could adversely affect its ability to operate its mobile business successfully and profitably. In addition, if the Corporation is unable to renew, or substitute for, these roaming agreements on a timely basis and at an acceptable cost, its cost structure could materially increase, and, consequently, its business, prospects, revenues, financial condition and results of operations could be adversely affected.

Increasing proportion of customers with no fixed-term contracts

Given rising costs of mobile devices and marginal technological advancements in mobile devices, consumers tend to keep their mobile devices for longer periods of time, thereby increasing the proportion of wireless customers without fixed term contracts. Such customers are under no contractual obligation to remain with a specific carrier for a fixed term. Moreover, the Corporation customers who bring their own device receive wireless services without entering into fixed term contracts. In addition, new technologies now embedded in a growing number of mobile devices, including the eSIM or embedded-SIM, will, once widely adopted, allow customers to switch between carriers without the use of a carrier-provided SIM card. This could have a material adverse effect on the Corporation's churn rate and, consequently, on its business, prospects, revenues, financial condition and results of operations.

Inventory obsolescence

The Corporation's various products in inventory generally have a relatively short lifecycle due to frequent technological changes. If it cannot effectively manage inventory levels based on product demand, or minimum order quantities from its suppliers, this could increase the risk of inventory obsolescence and could have an adverse effect on its business, financial condition and results of operations. Moreover, equipment provisioning delay has amplified with the worldwide electronic components shortage induced by the COVID-19 pandemic, which may lead to an increase in inventory and add significance to this risk.

Capital expenditures

There can be no assurance that the Corporation will be able to generate or otherwise obtain the funds to implement its business strategies and finance its capital expenditure programs or other investment requirements, whether through cash from operations, additional borrowings or other sources of funding. If the Corporation is unable to generate sufficient funds or obtain additional financing on acceptable terms, it may be unable to implement its business strategies or proceed with the capital expenditures and investments required to maintain its leadership position, and its business, financial condition, results of operations, reputation, and prospects could be materially adversely affected.

Access to support structures

The Corporation requires access to the support structures of hydroelectric and telephone utilities and it needs municipal rights of way to deploy its cable and mobile networks. Where access to the structures of telephone utilities cannot be secured, the Corporation may apply to the CRTC to obtain a right of access under the *Telecommunications Act* (Canada) (the "*Telecommunications Act*"). The Corporation has entered into comprehensive support structure access agreements with all the major hydroelectric companies and all the major telecommunications companies in its service territory. Should the Corporation seek to renew or to renegotiate these agreements, it cannot guarantee that these agreements will continue to be available on their respective terms, on acceptable terms, or at all, which may place the Corporation at a competitive disadvantage and which may have a material adverse effect on its business and prospects.

Successful implementation of business and operating strategies

The Corporation's business strategies are based on leveraging an integrated platform of media assets. Its strategies include offering multiplatform advertising solutions, generating and distributing content across a spectrum of media properties and assets, launching and deploying additional value-added products and services, pursuing cross-promotional opportunities, enhancing its advanced wireline and wireless networks, expanding our network service offering in the rest of Canada, developing high quality and premium content, further integrating the operations of its subsidiaries, leveraging geographic clustering, and maximizing customer satisfaction across its business. The Corporation may not be able to implement these strategies successfully or realize their anticipated results fully or at all, and their implementation may be more costly or challenging than initially planned. In addition, its ability to successfully implement these strategies could be adversely affected by a number of factors beyond its control, including operating difficulties, increased dependence on third-party suppliers and service providers, increased ongoing operating costs, regulatory developments, general or local economic conditions, increased competition, technological changes, any restrictive measures put in place in order to contain an outbreak of a contagious disease or other adverse public health development, and other factors described in this section. Any material failure to implement its strategies could have an adverse effect on its reputation, business, financial condition, prospects, and results of operations, as well as on its ability to meet its obligations, including its ability to service its indebtedness.

As part of its strategy, in recent years, the Corporation has entered into certain agreements with third parties under which it is committed to making significant operating and capital expenditures in the future in order to offer new products and services to its customers. It can provide no assurance that it will be successful in developing such new products and services in relation to these engagements, including the marketing of new revenue sources.

In July 2021, the Corporation announced an investment of nearly $830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3.5 GHz band. In an effort to implement its operation expansion strategy, more than half of the investment was concentrated in southern and eastern Ontario, Manitoba, Alberta and British Columbia. All spectrum was awarded to Videotron on

December 17, 2021, following final payment. In addition, a competitor contested the award of spectrum in Manitoba, Alberta and British Columbia in Federal Court, alleging that Videotron did not qualify for the auction in those regions. No decision on the merits has been made yet. The Corporation can provide no assurance that the award of spectrum in these three provinces will not be overturned by the Court and that it will be successful in implementing its operation expansion strategy in the rest of Canada.

Consumer trends to abandon traditional telephony and television services

The recent trend towards mobile substitution (when users cancel their wireline telephony services and opt exclusively for mobile telephony services) is largely the result of the increasing mobile penetration rate in Canada. In addition, there is also a consumer trend to abandon, substitute or reduce traditional television services for Internet access services allowing customers to stream directly from broadcasters and OTT content providers. Consequently, the Corporation may not be successful in converting its existing wireline telephony and television subscriber base to its mobile telephony services, its Internet access services or its OTT entertainment platforms, which could have a material adverse effect on its business, prospects, revenues, results of operations and financial condition.

Rapid growth

The Corporation has experienced substantial growth in its business and has significantly expanded its operations over the years. It has sought in the past, and may, in the future, seek to further expand the types of businesses and geographic areas in which it operates, under appropriate conditions. The Corporation can provide no assurance that it will be successful in either developing or fulfilling the objectives of any such business expansion.

In addition, the Corporation's expansion may require it to incur significant costs or divert significant resources and may limit its ability to pursue other strategic and business initiatives, which could have an adverse effect on its business, prospects, results of operations and financial condition. Furthermore, if the Corporation is not successful in managing its growth, or if the Corporation is required to incur significant or unforeseen costs, its business, prospects, results of operations and financial condition could be adversely affected.

Success in the development of its Sports and Entertainment business

The Corporation has made and is continuing to make significant investments in an effort to develop its Sports and Entertainment business. Some of these investments require significant expenditures and management attention. The success of such investments involves numerous risks that could adversely affect its growth and profitability, including the following risks: that investments may require substantial financial resources that otherwise could be used in the development of its other businesses; that the Corporation will not be able to achieve the benefits it expects from its investments in the same timeline as its other businesses; and, specifically with regards to the Videotron Centre, that it might not be able to maximize its profitability due to the fact that it does not have a main tenant nor operate in a major market, which makes it harder to attract international talents.

Implementation of changes to the structure of its business

The Corporation has and will continue to implement changes to the structure of its business due to many factors, such as a system replacement or upgrade, a process redesign, the necessity of a corporate restructuring and the integration of business acquisitions or existing business units. These changes must be managed carefully in order to ensure that the Corporation captures the intended benefits. The implementation process may negatively impact overall customer experience and may lead to greater-than-expected operational challenges, employee turnover, operating costs and expenses, customer losses, and business disruption for the Corporation, all of which could adversely affect its business and its ability to gain the anticipated benefits.

Key personnel

The Corporation's success depends to a large extent on the continued services of its senior management and its ability to retain skilled employees. There is intense competition for qualified management and skilled employees, and the Corporation's failure to recruit, train and retain such employees could have a material adverse effect on its business, prospects, results of operations and financial condition. In addition, in order to implement and manage its businesses and operating strategies effectively, the Corporation must sustain a high level of efficiency and performance, maintain content quality, continually enhance its operational and management systems, and continue to effectively attract, train, motivate and manage its employees. If the Corporation is not successful in these efforts, it may have a material adverse effect on its business, prospects, results of operations and financial condition.

Competition for advertising, circulation revenues/audience

The media industry has experienced fundamental and permanent structural changes. The growth of the Internet has presented alternative content distribution options that compete with traditional media, and an increasing number of non-traditional providers are developing technologies to satisfy the demand for entertainment and information content. Furthermore, the Corporation's customers have an increased control over the manner, content and timing of their media consumption, including through new technologies that give consumers greater flexibility to fast forward or skip advertisements within the Corporation's programming. These alternative technologies and new content distribution options have increased audience fragmentation, reduced the Corporation's Media segment business' audience, readership and circulation levels and have had an adverse effect on advertising revenues from local, regional and national advertisers.

Advertising revenue is the primary source of revenue for the Corporation's Media segment. As a result of those structural changes, competition for advertising spend in traditional media comes mainly from digital media technologies, which have introduced a wide variety of media distribution platforms for consumers and advertisers. These new competitors also include digital advertising giants with greater financial resources and a controlling share of the online advertising market thus reducing demand in some segments of The Corporation's traditional media advertising inventories. In addition, foreign digital advertising giants currently operate in Canada without being subject to its fiscal environment, therefore increasing the Corporation's competitive disadvantage. Furthermore, the international consolidation of advertising agencies is disrupting the demand model as some of its clients now negotiate through these consolidated positions, therefore putting additional pressure on market prices.

The continuous technological improvements to the Internet and the access to unlimited data, combined with higher download speeds, may continue to divert a portion of the Corporation's Media segment business' existing customer base from traditional media to digital media technology, which could adversely impact the demand for its services. The ability of the Corporation's Media segment to succeed over the long-term depends on various factors, including the Corporation's ability to attract advertisers and consumers to its own digital platforms. In addition, even if successful, the Corporation can provide no assurance that it will be able to recover the costs associated with the implementation of these digital initiatives through incremental revenues, cash flows or profitability.

As the media market continues to change and fragment, the Corporation expects its readership, circulation and audience to reduce and its advertising revenues, business, prospects, results of operations and financial condition could be materially adversely affected.

Finally, the Corporation's revenues and operating results in these businesses depend on the relative strength of the economy in the Corporation's principal markets, as well as the strength or weakness of local, regional and national economic factors. Since a significant portion of the Corporation's advertising revenues is derived from retail, automotive and consumer packaged goods sector advertisers, weakness in these sectors has had and may continue to have an adverse impact on the revenues and results of operations of the Corporation's Media segment.

Distribution, production and acquisition of original programming

The financial performance of its television, Club illico, Vrai, video on demand and mobile services depends in large part on the Corporation's ability to distribute a wide range of appealing video programming on its platforms and on its ability to produce and acquire original content on an ongoing basis.

In its telecommunications business, the Corporation obtains television programming rights from suppliers pursuant to programming contracts. In recent years, these suppliers have become vertically integrated and are now more limited in number. The Corporation may be unable to maintain key programming contracts at commercially reasonable rates for television programming. Loss of programming contracts, the Corporation's inability to obtain programming at reasonable rates or its inability to pass rate increases through to its customers could have a material adverse effect on its business, prospects, results of operations and financial condition.

Increased competition in the television, OTT and video on demand industry from local and foreign OTT content providers with access to substantial financial resources may result in a competitive disadvantage from a content perspective and may have a material adverse effect on the Corporation's business, prospects, revenues, financial conditions and results of operations. Notably, on September 28, 2017, the Minister of Canadian Heritage and Netflix concluded an arrangement pursuant to which Netflix undertakes to invest a minimum of $500 million in original productions in Canada over the next five years. This arrangement may exert upward pressure on content price.

Furthermore, on February 2, 2022, the federal government introduced Bill C-11 which proposes to amend the Broadcasting Act (Canada) (the "Broadcasting Act") in order to include foreign OTT content providers in Canada's regulatory framework. Similarly to Netflix's arrangement, such bill would force these providers to promote Canadian cultural products and make material expenditures in order to support local cultural production. If adopted, this bill could increase competition and put greater pressure on the price of Canadian content.

Launch of new products and services

The Corporation is investing in the launch of new products and services. During the period preceding or immediately following the launch of a new product or service, revenues are generally relatively modest, while initial operating expenses may prove more substantial. Furthermore, although the Corporation believes in the potential associated with this strategy, there is a possibility that the anticipated profitability could take several years to materialize or may never materialize.

Single-clustered network

The Corporation provides its television, Internet access, wireline telephony and mobile telephony services through a primary headend and a series of local headends in a single-clustered network. Despite available emergency backup or replacement sites, automatic failover systems, and disaster recovery measures, a failure in the Corporation's primary headend, including exogenous threats, such as cyber-attacks, natural disasters, sabotage or terrorism, or dependence on certain external infrastructure providers (such as electric utilities), could prevent it from delivering some of its products and services throughout its networks until the failure has been resolved, which may result in significant customer dissatisfaction, loss of revenues and potential civil litigation, and could have a material adverse effect on its financial condition.

Reputation

The Corporation has generally enjoyed a good reputation among the public. Its ability to maintain its existing customer relationships and to attract new customers depends to a large extent on its reputation. While the Corporation has put in place certain mechanisms to mitigate the risk that its reputation may be tarnished, including good governance practices and a Code of Ethics, there can be no assurance that these measures will be effective to prevent violations or perceived violations of the law or ethical business practices. The loss or tarnishing of its reputation could have a material adverse effect on its business, prospects, financial condition and results of operations.

Protection of personal data

The ordinary course of the Corporation's businesses involves the receipt, collection, storage and transmission of sensitive data, including its proprietary business information and that of its customers, and personally identifiable information of its customers and employees, whether in its systems, infrastructure, networks and processes, or those of its suppliers. The Corporation faces risks inherent in protecting the security of such personal data. In particular, the Corporation faces a number of challenges in protecting the data contained and hosted on its systems, or those belonging to its suppliers, including from advertent or inadvertent actions or inactions by its employees, as well as in relation to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information, including any requests from regulatory and government authorities relating to such data. Although the Corporation has developed and maintains systems, processes and security controls that are designed to protect personally identifiable information of its clients, employees or business partners, the Corporation may be unable to prevent the improper disclosure, loss, misappropriation of, unauthorized access to, or other security breaches relating to such data that the Corporation stores or processes or that its suppliers store or process. As a result, the Corporation may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and the Corporation may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

On September 22, 2021, Québec's National Assembly adopted Bill 64, *An Act to modernize legislative provisions as regards the protection of personal information* which will come into force on September 22, 2023, except for certain provisions which will come into force in 2022. The bill modifies the obligations of public bodies and private sector enterprises by modernizing framework applicable to the protection of personal information and imposes new obligations on the Corporation. Bill 64 adds important deterrent powers to the authorities in charge of their application. Federal and provincial legislation in the area of privacy and personal information is constantly evolving and is expected to undergo significant changes in the coming years. The Corporation does not expect compliance with this legislation to threaten its business, but it may incur significant costs to update its security systems, processes and controls, which could have a material adverse effect on its financial condition.

Cybersecurity

Although the Corporation has implemented and regularly reviews and updates processes and procedures to protect against customers and business service interruption, unauthorized access to or use of sensitive data, including data of its customers, and to prevent data loss or theft, and although ever-evolving cyber-threats require the Corporation to continually evaluate and adapt its systems, infrastructure, networks and processes, the Corporation cannot assure that its systems, infrastructure, networks and processes, as well as those of its suppliers, will be adequate to safeguard against unauthorized access by third parties or errors by employees or by third-party suppliers. The Corporation is also at risk from increasingly sophisticated phishing attacks, SIM swaps, fraudulent ports and other types of frauds. If the Corporation is subject to a significant cyber-attack or breach, unauthorized access, errors of third-party suppliers or other security breaches, the Corporation may incur significant costs, be subject to investigations, sanctions and litigation, including under laws that protect the privacy of personal information, and the Corporation may suffer damage to its business, competitive position and reputation, which could have a material adverse effect on its financial condition.

The costs associated with a major cyber-attack could also include expensive incentives offered to existing customers and business partners to retain their business, increased expenditures on cybersecurity measures and the use of alternate resources, lost revenues and customers from business interruption and litigation. The Corporation's contractual risk transfers do not eliminate the risk completely and the potential costs associated with these attacks could exceed the scope and limits of the insurance coverage it maintains.

Protection from piracy

The Corporation may not be able to protect its services and data from piracy. It may be unable to prevent electronic attacks to gain unauthorized access to its networks, digital programming, and Internet access services. It uses encryption technology to protect its television signals and OTT service from unauthorized access and to control programming access based on subscription packages. It may not be able to deploy adequate technology to prevent unauthorized access to its networks, programming and data, which may have an adverse effect on its customer base and lead to a possible decline in revenues, as well as to significant remediation costs and legal claims.

Malicious and abusive Internet practices

The Corporation's customers utilize its cable, mobile and fibre-optic connectivity business networks to access the Internet and, as a consequence, the Corporation or its customers may become a victim of common malicious and abusive Internet activities, such as unsolicited mass advertising (or spam) and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on its networks and its customers, including deterioration of service, excessive call volume to call centres, and damage to its customers' or its own equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, to a loss of customers or revenues, in addition to increased costs to service customers and protect its networks. Any significant loss of cable, mobile or fibre-optic connectivity business customers, or a significant increase in the costs of serving those customers, could adversely affect its reputation, business, prospects, results of operations, and financial condition.

Dependence on information technology systems

The day-to-day operation of the Corporation's business is highly dependent on information technology systems, including those of certain third-party suppliers, some of which are based in territories with potential geopolitical risk. Furthermore, its business relies on the use of numerous distinct information technology systems, billing systems, sales channels, databases as well as different rate plans, promotions and product offerings, which make its operations increasingly complex and may unfavourably impact its response time to market trends and the risk of billing or service errors. An inability to maintain and enhance its existing IT systems or obtain new systems to accommodate additional customer growth or to support new products and services could have an adverse impact on its ability to acquire new subscribers, retain existing customers, produce accurate and timely billing, generate revenue growth, manage operating expenses and carry out operations without interruption; all of which may have a material adverse effect on its business, prospects, results of operations and financial condition.

The Corporation has entered into strategic relationships with service providers to ensure that the technology it adopts and invests in is the best in class in its industry. An inability to maintain these relationships or difficulties implementing its technology roadmap could result in higher capital requirements, prolonged development timelines and substandard performance of its products and services.

Products and services supplied to the Corporation by third-party suppliers may contain latent security issues, including, but not limited to, software and hardware security issues, that would not be apparent upon a diligent inspection. Failure to identify and remedy those issues may result in significant customer dissatisfaction, loss of revenues, and could adversely impact its results of operations and financial condition.

Third-party suppliers and providers

The Corporation depends on third-party suppliers and providers for certain services, hardware, licensed technological platforms and equipment that are, or may become, critical to its operations and network evolution. These materials and services include end-user terminals such as set-top boxes, gateways, Wi-Fi routers, mobile telephony handsets, network equipment such as wireline and telephony modems, servers and routers, fibre-optic cable and equipments, telephony switches, inter-city links, support structures, licensed technological platforms, external cloud-based services and network functions, services and operational software, the "backbone" telecommunications network for its Internet access, telephony services and mobile services, and construction services for the expansion of and upgrades to its wireline and wireless networks. These services, platforms and equipment are each available from a single or limited number of suppliers and the Corporation therefore faces the risks of supply disruption, including due to geopolitical events, external events such as climate change related impacts, epidemics, pandemics or other public health issues, business difficulties, restructuring, or supply-chain issues. If no supplier can provide the Corporation with the equipment and services it requires, or that comply with evolving Internet and telecommunications standards or that are compatible with its other equipment and software interfaces, its business, financial condition and results of operations could be materially adversely affected. In addition, if the Corporation is unable to obtain critical equipment, software, services or other items on a timely basis and at an acceptable cost, its ability to offer its products and services at competitive pricing and roll out advanced services may be delayed, and its business, financial condition and results of operations could be materially adversely affected.

Moreover, as there is a limited number of manufacturers of mobile devices and customer premises equipment ("CPE"), there is a risk that the Corporation will not be able to maintain agreements for their existing supply on commercially reasonable terms. The rising mobile device and CPE costs as well as the potential delays in delivery mobile devices and CPE, in a price-sensitive market, could negatively impact the Corporation's revenues, financial condition and results of operations, as it may not be able to pass on to customers a corresponding increase in the price of its products. Furthermore, some of the Corporation's competitors benefit from higher purchasing volumes which provide them the ability to negotiate better prices and faster deliveries from manufacturers.

In addition, the Corporation obtains proprietary content critical to its operations through licensing arrangements with content providers. Some providers may seek to increase fees or impose technological requirements to protect their proprietary content. If the Corporation is unable to renegotiate commercially acceptable arrangements with these content providers, comply with their technological requirements or find alternative sources of equivalent content, its business, financial condition and results of operations could be materially adversely affected.

Litigation and other claims

In the normal course of business, the Corporation is involved in various legal proceedings and other claims relating to the conduct of its business, including class actions. Although, in the opinion of management, the outcome of current pending claims and other litigation is not expected to have a material adverse effect on the Corporation's reputation, results of operations, liquidity or financial condition, a negative outcome in respect of any such claim or litigation could have the said adverse effect. Moreover, the cost of defending against lawsuits and the diversion of management's attention could be significant.

Intellectual property rights

The Corporation relies on its intellectual property, such as copyrights, trademarks and trade secrets, as well as licenses and other agreements with its vendors and other third parties, to use various technologies, conduct its operations and sell its products and services. Legal challenges to its intellectual property rights, or the ones of third-party suppliers, and claims of intellectual property infringement by third parties could require that it enters into royalty or licensing agreements on unfavourable terms, incur substantial monetary liability, or be enjoined preliminarily or permanently from further use of the intellectual property in question or from the continuation of its businesses as currently conducted. The Corporation may need to change its business practices if any of these events occur, which may limit its ability to compete effectively and could have an adverse effect on its results of operations. In the event that it believes any such challenges or claims are without merit, they can nonetheless be time-consuming and costly to defend and divert management's attention and resources away from its businesses. Moreover, if the Corporation is unable to obtain or continue to obtain licenses from its vendors and other third parties on reasonable terms, its businesses could be adversely affected.

Piracy and other unauthorized uses of content are made easier, and the enforcement of the Corporation's intellectual property rights is made more challenging, by technological advances. The steps the Corporation has taken to protect its intellectual property may not prevent the misappropriation of its proprietary rights. The Corporation may not have the ability in certain jurisdictions to adequately protect intellectual property rights. Moreover, others may independently develop processes and technologies that are competitive to the Corporation's. Also, the Corporation may not be able to discover or determine the extent of any unauthorized use of its proprietary rights. Unauthorized use of its intellectual property rights may increase the cost of protecting these rights or reduce its revenues. The Corporation cannot be sure that any legal actions against such infringers will be successful, even when its rights have been infringed.

Strikes, other labour protests and health risks affecting employees

The Corporation is not currently subject to any labour dispute. Nevertheless, it can neither predict the outcome of current or future negotiations relating to labour disputes, union representation or renewal of collective bargaining agreements, nor guarantee that the Corporation will not experience future work stoppages, strikes or other forms of labour protests pending the outcome of any current or future negotiations. If its unionized workers engage in a strike or any other form of work stoppage, it could experience a significant disruption to its operations, damage to its property and/or interruption to its services, which could adversely affect its business, assets, financial condition, results of operations and reputation. Even should the Corporation not experience strikes or other forms of labour protests, the outcome of labour negotiations could adversely affect its business and results of operations. Such could be the case if current or future labour negotiations or contracts were to further restrict its ability to maximize the efficiency of its operations. In addition, its ability to make short-term adjustments to control compensation and benefit costs is limited by the terms of its collective bargaining agreements.

Health threats to employees resulting from epidemics, pandemics or other health issues could adversely affect the Corporation's business, assets, financial conditions, results of operations and reputation.

The COVID-19 pandemic has accelerated the Corporation's adoption of a remote work policy establishing guidelines for its employees when working from home. Remote work arrangements of its employees and those of certain of its suppliers could introduce additional operating risks including, but not limited to, confidentiality risks, privacy risks, information security risks, health and safety risks and impair the Corporation's ability to manage its business. This situation could also result in an increase in the number of legal proceedings and other claims related to the pursuit of its activities outside of its usual premises.

Pension plan liability

The economic cycles, employee demographics and changes in regulations could have a negative impact on the funding of the Corporation's defined benefit pension plans and related expenditures. There is no guarantee that the expenditures and contributions required to fund these pension plans will not increase in the future and therefore negatively impact its operating results and financial condition. Risks related to the funding of defined benefit plans may materialize if total obligations with respect to a pension plan exceed the total value of its trust assets. Shortfalls may arise due to lower-than-expected returns on investments, changes in the assumptions used to assess the pension plan's obligations, and actuarial losses.

Exchange rate fluctuations

Most of the Corporation's revenues and expenses are denominated in CAN dollars. However, certain expenditures, such as the purchase of set-top boxes, gateways, modems, mobile devices, the payment of royalties to certain business providers or service providers, and certain capital expenditures, including certain costs related to the development and maintenance of its mobile network, are paid in U.S. dollars. Those costs are only partially hedged, so a significant increase in the U.S. dollar could have an adverse effect on its results of operations and financial condition.

Also, a substantial portion of its debt is denominated in U.S. dollars, and interest, principal and premium, if any, are payable in U.S. dollars. For the purposes of financial reporting, any change in the value of the CAN dollar against the U.S. dollar during a given financial reporting period would result in a foreign exchange gain or loss on the translation of any unhedged U.S.-dollar-denominated debt into CAN dollars. Consequently, reported earnings and debt could fluctuate materially as a result of foreign exchange gains or losses. The Corporation has entered into transactions to hedge the exchange rate risk with respect to its U.S.-dollar-denominated debt outstanding at December 31, 2021, and it intends to enter into such transactions for new U.S.-dollar-denominated debt in the future. These hedging transactions could, in certain circumstances, prove economically ineffective and may not be successful in protecting it against exchange rate fluctuations, or it may be required to provide cash and other collateral in the future in order to secure its obligations with respect to such hedging transactions, or it may be unable to enter into such transactions on favourable terms, or at all, in the future or, pursuant to the terms of these hedging transactions, its counterparties thereto may owe the Corporation significant amounts of money and may be unable to honour such obligations, all of which could have an adverse effect on its results of operations and financial condition.

In addition, certain cross-currency interest rate swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The Corporation holds interests in certain foreign companies. A significant adverse change in the value of the currencies of these foreign companies, the Turkish Lira and the Euro, could have an adverse impact on the results of operations and the financial condition of the Corporation.

The fair value of the derivative financial instruments that the Corporation is party to is estimated using period-end market rates and reflects the amount it would receive or pay if the instruments were terminated and settled at those dates, as adjusted for counterparties' non-performance risk. At December 31, 2021, the net aggregate fair value of its cross-currency interest rate swaps and foreign exchange forward contracts was in a net asset position of $382.3 million on a consolidated basis. These swaps have been set up with major Canadian and US banks.

Some of the Corporation's suppliers source their products out of the U.S.; therefore, although the Corporation pays those suppliers in CAN dollars, the prices it pays for such commodities or products may be affected by fluctuations in the exchange rate. The Corporation may in the future enter into transactions to hedge its exposure to the exchange rate risk related to the prices of some of those commodities or products. However, fluctuations in the exchange rate for purchases that are not hedged could affect the prices the Corporation pays for such purchases and could have an adverse effect on its results of operations and financial condition.

Volatility

The capital and credit markets have experienced significant volatility and disruption in the past, resulting in periods of upward pressure on the cost of new debt capital and severe restrictions in credit availability for many companies. In such periods, the disruptions and volatility in the capital and credit markets have also resulted in higher interest rates or greater credit spreads on the issuance of debt securities and increased costs under credit facilities. Disruptions and volatility in the capital and credit markets could increase Quebecor's interest expense, thereby adversely affecting its results of operations and financial position.

Quebecor's access to funds under its existing credit facilities is dependent on the ability of the financial institutions that are parties to those facilities to meet their funding commitments. Those financial institutions may not be able to meet their funding commitments if they experience shortages of capital and liquidity, or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under Quebecor's credit facilities are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others.

Some of Quebecor's debt has a variable rate of interest linked to various interest rate benchmarks, such as the London Inter-Bank Offered Rate ("LIBOR") or the Canadian Dollar Offered Rate ("CDOR"). It is expected that interest rates benchmarks such as LIBOR and CDOR will be reformed or will be discontinued and replaced with alternative interest rate benchmark rates which meet new regulatory and market requirements. The consequence of this development cannot be entirely predicted but could include an increase in the cost of its variable rate indebtedness.

Extended periods of volatility and disruptions in the capital and credit markets as a result of uncertainty, pandemics, epidemics and other public health issues, ongoing changes or increases in regulation of financial institutions, reduced financing alternatives or failures of significant financial institutions, could adversely affect Quebecor's access to the liquidity and affordability of funding needed for its businesses in the longer term. Such disruptions could require Quebecor to take measures to maintain a cash balance until markets stabilize or until alternative credit arrangements or other funding for its business needs can be arranged. Market disruptions and broader economic challenges may lead to lower demand for certain of Quebecor's products, a declining level of retail and commercial activity and increased incidences of customer inability to pay or to timely pay for the services or products it provides. Events such as these could adversely impact Quebecor's results of operations, cash flows, financial condition and prospects.

Asset impairment charges

In the past, the Corporation has recorded asset impairment charges which have been material in some cases. Subject to the realization of various factors, including, but not limited to, weak economic or market conditions, the Corporation may be required to record in the future, in accordance with IFRS accounting valuation principles, additional non-cash impairment charges if the carrying value of an asset in its financial statements is in excess of its recoverable value. Any such asset impairment charge could be material and may adversely affect its future reported results of operations and equity, although such charges would not affect its cash flows.

Acquisitions, dispositions, business combinations, or joint ventures

From time to time, the Corporation engages in discussions and activities with respect to possible acquisitions, dispositions, business combinations, or joint ventures intended to complement or expand its business, some of which may be significant transactions and involve significant risks and uncertainties. The Corporation may not realize the anticipated benefit from any of the transactions it pursues and may have difficulty incorporating or integrating any acquired business. Regardless of whether it consummates any such transaction, the negotiation of a potential transaction (including associated litigation), as well as the integration of any acquired business, could require the Corporation to incur significant costs and cause diversion of management's time and resources and disrupt its business operations. The Corporation could face several challenges in the consolidation and integration of information technology, accounting systems, personnel and operations.

If the Corporation decides to sell individual properties or other assets or businesses, it will benefit from the net proceeds realized from such sales. However, its revenues may suffer in the long term due to the disposition of a revenue-generating asset, the timing of such dispositions may be poor, causing it to fail to realize the full value of the disposed asset or the terms of such dispositions may be overly restrictive to us or may result in unfavorable post-closing price adjustments if some conditions are not met, all of which may diminish its ability to repay its indebtedness at maturity.

Any of the foregoing could have a material adverse effect on its business, financial condition, operating results, liquidity, and prospects.

Competition and consolidation of retail locations in the Telecommunications business

In the Corporation's Telecommunications business, the competition to offer products in the best available commercial retail spaces is fierce. Some of its telecommunications business competitors have pursued a strategy of selling their products through independent retailers, in major retail chains and convenience stores, via telemarketing campaigns and via home delivery to extend their presence on the market and some of its competitors have also acquired certain independent retailers and created new distribution networks. This could result in limiting the customer reach of the Corporation's retail network and places it at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Rising adoption of web-based and application-based channels

To better meet the changing habits and expectations of consumers and businesses, the Corporation's telecommunications business' competitors are rapidly developing digital platforms, which allow them to sell and distribute their products on web-based or application-based channels and to shift customer interaction to digital platforms driving more self-help, self-install and self-service. If the Corporation does not succeed in implementing and pursuing its own digital strategy and fails to evolve its customer experience in line with customers' demands, this could place the Corporation at a competitive disadvantage, which could have an adverse effect on its business, prospects, results of operations and financial condition.

Government acts and regulations risks

The Corporation's operations are subject to extensive government regulation and policy-making in Canada. Laws and regulations govern the issuance, amendment, renewal, transfer, suspension, revocation and ownership of broadcast programming and distribution licenses. With respect to distribution, regulations govern, among other things, the distribution of Canadian and non-Canadian programming services and the maximum fees to be charged to the public in certain circumstances. The Corporation's broadcasting distribution and telecommunications operations (including Internet access service) are regulated respectively by the *Broadcasting Act* and the *Telecommunications Act* and regulations thereunder. The CRTC, which administers the *Broadcasting Act* and the *Telecommunications Act*, has the power to grant, amend, suspend, revoke and renew broadcasting licenses, approve certain changes in corporate ownership and control, and make regulations and policies in accordance with the *Broadcasting Act* and the *Telecommunications Act*, subject to certain directions from the federal cabinet. The Corporation's wireless and wireline operations are also subject to technical requirements, license conditions and performance standards under the *Radiocommunication Act* (Canada) (the "*Radiocommunication Act*"), which is administered by ISED Canada.

Changes to the laws, regulations and policies governing the Corporation's operations, the introduction of new laws, regulations, policies or terms of license, the issuance of new licenses, including additional spectrum licenses, to its competitors, or changes in the treatment of the tax deductibility of advertising expenditures, could have an impact on customer buying practices and/or a material adverse effect on its business (including how it provides products and services), prospects, results of operations and financial condition. In addition, the Corporation may incur increased costs in order to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

The CRTC launched a comprehensive review of the wireless market. The Canadian Government had requested that the CRTC consider competition, affordability, consumer interests and innovation in its decisions. In a recent decision, the CRTC ordered the national incumbent wireless carriers to provide MVNO access services to regional wireless carriers for a period of seven years. This decision stands to have significant impact on the Corporation's competitive environment, as the Corporation could see the emergence of new MVNO competitors. The Corporation may not be able to compete successfully in future against existing and such potential competitors. This material increase in competition in the Corporation's mobile telephony business could have a material adverse effect on its business, prospects, revenues, financial condition, and results of operations.

In addition, laws relating to communications, data protection, e-commerce, direct marketing and digital advertising and the use of public records have become more prevalent in recent years. Existing and proposed legislation and regulations, including changes in the manner in which such legislation and regulations are interpreted by courts in Canada, the United States and other jurisdictions may impose limits on the collection and use of certain kinds of information. Furthermore, the CRTC and ISED Canada have the power to impose monetary sanctions for failure to comply with current regulations.

TPIAs access to our cable network

The largest cable operators in Canada, including Videotron, have been required by the CRTC to provide TPIA providers with access to their networks at mandated cost-based rates. Numerous TPIA providers are interconnected to the Corporation's cable network and are thereby providing retail Internet access services as well as, in some cases, retail VoIP and IP-based television distribution services.

Since 2015, the CRTC has reemphasized in a series of decisions the importance it gives to mandated wholesale access arrangements as a driver of competition in the retail Internet access market. Among other things, the CRTC has ordered all of the major telephone and cable companies, including Videotron, to provide new disaggregated wholesale access services, which are to replace existing aggregated wholesale access services after a transition period. These new disaggregated services will include mandated access to high-speed services provided over fibre-access facilities, including the fibre-access facilities of the large incumbent telephone companies. Implementation of these new wholesale services could permit Internet resellers to enhance their service offerings in the retail market, thereby affecting the Corporation's competitive position as well its ability to recover the cost of providing underlying network services.

License renewals

Videotron's AWS-1 licenses were renewed in December 2018 for a 20-year term. Videotron's other spectrum licenses, including in the AWS-3, 700 MHz, 2500 MHz, 600 MHz and 3500 MHz bands, are issued for 20-year terms from their respective dates of issuance. At the end of these terms, the Corporation expects that new licenses will be issued for subsequent terms through a renewal process, unless a breach of licence conditions has occurred, a fundamental reallocation of spectrum to a new service is required, or in the event that an overriding policy need arises. The process for issuing or renewing licenses, including the terms and conditions of the new licenses and whether license fees should apply for a subsequent license term, are expected to be determined by ISED Canada.

If, at the end of their respective term, the licenses are not renewed on acceptable terms, or at all, the Corporation's ability to continue to offer its wireless services, or to offer new services, may be negatively impacted, or its cost structure could materially increase, and, consequently, it could have a material adverse effect on its business, prospects, results of operations and financial condition.

Government programs

The Corporation benefits from several government programs developed to support major investment projects, the deployment of high-speed Internet services in various regions of Québec, the production and distribution of televisual and cinematographic products, and magazine publishing in Canada, including federal and provincial refundable tax credits. There can be no assurance that the local cultural incentive programs that the Corporation may access in Canada will continue to be available in the future or will not be reduced, amended or eliminated. Any future reductions or other changes in the policies or rules of application in Canada or in any of its provinces in connection with these government incentive programs, including any change in the Québec or the federal programs providing for refundable tax credits, could, among other things, increase the cost of acquiring Canadian content or investment projects affected by these programs and influence the programming of content broadcast or the Corporation's decision to initiate certain investment projects, including incur capital expenditures for the extension of its wireline and mobile networks, which could have a material adverse effect on its results of operations and financial condition. Canadian content programming is also subject to certification by various agencies of the federal government. If programming fails to so qualify, the Corporation would not be able to use the programs to meet Canadian content programming obligations and might not qualify for certain Canadian tax credits and government incentives.

In addition, the Canadian and provincial governments currently provide grants, incentives and tax credits to attract foreign producers and support domestic film and television production. Many of the major studios and other key customers of the Corporation's film production and audiovisual services business, content producers for its broadcasting operations, as well as its production and distribution business, finance a portion of their production budgets through these grants, incentives and tax credits. There can be no assurance that these grants, incentives and tax credits will continue at their present levels or at all, and if they are reduced or discontinued, the level of activity in the motion picture and television industries may be reduced, as a result of which the Corporation's results of operations and financial condition might be adversely affected.

The successful tax credit model of Québec and other provinces in Canada has been copied by other jurisdictions. Some producers may select locations other than Québec to take advantage of other tax credit programs. Other factors, such as director or star preference, may also have the effect of productions being shot in a location other than Québec and may therefore have a material adverse effect on the Corporation's business, results of operations and financial condition.

Environmental laws and regulations and climate change

The Corporation is subject to a variety of environmental laws and regulations. Some of its facilities are subject to federal, provincial, state and municipal laws and regulations concerning, for example, emissions to the air, water and sewer discharge, the handling and disposal of hazardous materials and waste, including electronic waste, recycling, soil remediation of contaminated sites, or otherwise relating to the protection of the environment. In addition, laws and regulations relating to workplace safety and worker health, which, among other things, regulate employee exposure to hazardous substances in the workplace, also govern the Corporation's operations. Failure to comply with present or future laws or regulations could result in substantial liability for the Corporation.

Environmental laws and regulations and their interpretation have changed rapidly in recent years and may continue to do so in the future. For instance, most Canadian provinces have implemented Extended Producer Responsibility regulations in order to encourage sustainability practices such as the "Ecological recovery and reclamation of electronic products", which sets certain recovery targets and which may require the Corporation to monitor and adjust its practices in the future. Evolving public expectations with respect to the environment and increasingly stringent laws and regulations could result in increased costs of compliance, and failure to recognize and adequately respond to them could result in fines, regulatory scrutiny, or have a significant effect on the Corporation's reputation and brands.

The Corporation's properties, as well as areas surrounding those properties, particularly those in areas of long-term industrial use, may have had historic uses, or may have current uses, in the case of surrounding properties, which may affect its properties and require further study or remedial measures. The Corporation cannot provide assurance that all environmental liabilities have been determined, that any prior owner of its properties did not create a material environmental condition not known to the Corporation, that a material environmental condition does not otherwise exist on any of its properties, or that expenditure will not be required to deal with known or unknown contamination.

The Corporation owns, through its subsidiaries, certain properties located on partially remediated former landfills. The operation and ownership of these properties carry inherent risks of environmental and health and safety liabilities, including for personal injuries, property damage, release of hazardous materials, remediation and clean-up costs and other environmental damages. The Corporation may, from time to time, be involved in administrative and judicial proceedings relating to such matters, which could have a material adverse effect on its business, financial condition and results of operations.

Finally, the effects of global climate change are increasing the severity and frequency of extreme weather-related events and will potentially result in increased operational and capital costs. Some of the more significant climate-related risks that were identified include potential increased operational costs to maintain the Corporation's network operations during extreme weather events, and potential increased capital costs as a result of damage to its facilities and/or equipment, and disruption of operations. The effects of global climate change may in turn also affect the Corporation's team members' ability to manage the Corporation, and affect the communities in which it operates, which could have a material adverse effect on its business, financial condition, and results of operations.

Concerns about alleged health risks relating to radiofrequency emissions

All the Corporation's cell sites comply with applicable laws and it relies on its suppliers to ensure that the network equipment and customer equipment supplied to it meet all applicable regulatory and safety requirements. Nevertheless, some studies have alleged links between radiofrequency emissions from certain wireless devices and cell sites and various health problems, or possible interference with electronic medical devices, including hearing aids and pacemakers. There is no definitive evidence of harmful effects from exposure to radiofrequency emissions when the limits imposed by applicable laws and regulations are complied with. Additional studies of radiofrequency emissions are ongoing and there is no certainty as to the results of any such future studies.

The current concerns over radiofrequency emissions or perceived health risks of exposure to radiofrequency emissions could lead to additional governmental regulation, diminished use of wireless services, including Videotron's, or product liability lawsuits that might arise or have arisen. Any of these could have a material adverse effect on the Corporation's business, prospects, revenues, financial condition and results of operations.

Indebtedness

Quebecor currently has a substantial amount of debt and significant interest payment requirements. As at December 31, 2021, it had $6.52 billion of consolidated long-term debt (long-term debt plus bank indebtedness). Quebecor's indebtedness could have significant consequences, including the following:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to making interest and principal payments on its indebtedness, reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which Quebecor operates;
- place it at a competitive disadvantage compared to competitors with less debt or greater financial resources; and
- limit, along with the financial and other restrictive covenants in its indebtedness, its ability to, among other things, borrow additional funds on commercially reasonable terms, if at all.

Although Quebecor has significant indebtedness, as at December 31, 20201, it had more than $1.58 billion available for additional borrowings under its existing credit facilities on a consolidated basis, and the indentures governing its outstanding Senior Notes would permit it to incur substantial additional indebtedness in the future. If Quebecor incurs additional debt, the risks it now faces as a result of its leverage could intensify.

Restrictive covenants

Quebecor's debt instruments contain a number of operating and financial covenants, which may vary depending on their respective governing terms, restricting its ability to, among other things:

- borrow money or sell preferred stock;
- create liens;
- pay dividends on or redeem or repurchase stock;
- make certain types of investments;
- restrict dividends or other payments by some subsidiaries;
- enter into transactions with affiliates;

- issue guarantees of debt; and
- sell assets or merge with other companies.

If Quebecor is unable to comply with these covenants and is unable to obtain waivers from its creditors, then it would be unable to make additional borrowings under its credit facilities. Its indebtedness under these agreements would be in default and that could, if not cured or waived, result in an acceleration of such indebtedness and cause cross-defaults under its other debt, including Senior Notes. If Quebecor's indebtedness is accelerated, it may not be able to repay its indebtedness or borrow sufficient funds to refinance it, and any such prepayment or refinancing could adversely affect Quebecor's financial condition. In addition, if Quebecor incurs additional debt in the future or refinances existing debt, it may be subject to additional covenants, which may be more restrictive than those to which it is currently subject. Even if Quebecor is able to comply with all applicable covenants, the restrictions on its ability to manage its business at its sole discretion could adversely affect its business by, among other things, limiting its ability to take advantage of financings, mergers, acquisitions and other corporate opportunities that Quebecor believes would be beneficial.

Holding corporation

Quebecor is a holding corporation and a substantial portion of its assets is the capital stock of its subsidiaries. As a holding corporation, Quebecor conducts substantially all of its business through its subsidiaries, which generate substantially all of its revenues. Consequently, Quebecor's cash flow and ability to service its debt obligations are dependent on the cash flows of its existing and future subsidiaries and the distribution of this cash flow to Quebecor, or on loans, advances or other payments made by those entities to Quebecor. The ability of those entities to pay dividends or make loans, advances or payments to Quebecor will depend on their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. Quebecor Media and Videotron have several series of debt securities outstanding, and the Quebecor Media, Videotron and TVA Group have credit facilities that limit their ability to distribute cash. In addition, if its existing or future subsidiaries incur additional debt in the future or refinance existing debt, Quebecor may be subject to additional contractual restrictions contained in the instruments governing that debt, which may be more restrictive than those to which it is currently subject.

The ability of its subsidiaries to generate sufficient cash flows from operations to allow Quebecor to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as by structural changes, many of which are outside its or their control. If the cash flows and earnings of Quebecor's operating subsidiaries and the amount that they are able to distribute to Quebecor as dividends or otherwise are not sufficient for Quebecor, it may not be able to satisfy its debt obligations. If it is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments, or seeking to raise additional capital. It can provide no assurance that any such alternative refinancing would be possible; that any assets could be sold, or, if sold, the timing of the sales and the amount of proceeds realized from those sales; that additional financing could be obtained on acceptable terms, if at all; or that additional financing would be permitted under the terms of its various debt instruments then in effect. Inability to generate sufficient cash flows to satisfy Quebecor's debt obligations, or to refinance those obligations on commercially reasonable terms, could have a material adverse effect on its business, prospects, results of operations and financial condition.

Ability to refinance

Quebecor may be required from time to time to refinance some of its existing debt at or prior to maturity. Quebecor and its subsidiaries' ability to obtain additional financing to repay such existing debt at maturity will depend on a number of factors, including prevailing market conditions, credit availability and operating performance. There can be no assurance that any such financing will be available to Quebecor on favourable terms, or at all.

Provisions in the Articles that could discourage or prevent a takeover

Provisions in the Corporation's Articles and Bylaws could make it more difficult for a third party to acquire it, even if doing so would be beneficial in the opinion of the holders of Quebecor's Class B Shares. Those provisions principally include:

- the multiple voting feature of Quebecor's Class A Shares; and
- the election structure of the Board of Directors, whereby holders of Class A Shares elect 75% of the Corporation's directors, while holders of Class B Shares elect 25%.

The existence of these provisions could have the effect of delaying, preventing or deterring a change in control of Quebecor, could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Interests of holders of Quebecor's Class A Shares that may conflict with the interests of other shareholders

The Class B Shares have one vote per share, while the Class A Shares have 10 votes per share on all matters to be voted on by shareholders, with the exception of matters where the holders of shares of a single class are entitled to vote separately. As of December 31, 2021 approximately 74.3% of the combined voting power of all outstanding shares is controlled by a majority shareholder, and the exercise of the voting rights attached to those shares makes it possible to decide or significantly influence all issues submitted to a shareholder vote, including the election of Class A directors and approval of significant corporate transactions, such as amendments to the Corporation's Articles, mergers, amalgamations, or the sale of all or substantially all of its assets.

The holders of the Class A Shares may also have interests that differ from those of the other shareholders and may vote in a way with which other shareholders disagree and which may be adverse to their interests. This concentration of voting power may have the effect of delaying, preventing, or deterring a change in control of Quebecor; could deprive its shareholders of an opportunity to receive a premium for their Class B Shares as part of a sale of Quebecor, and might ultimately affect the market price of its shares.

Financial Instruments and Financial Risk Management

The Corporation's financial risk-management policies have been established in order to identify and analyze the risks faced by the Corporation, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk-management policies are reviewed regularly to reflect changes in market conditions and in the Corporation's activities.

The Corporation uses a number of financial instruments, mainly cash and cash equivalents, restricted cash, trade receivables, contract assets, long-term investments, bank indebtedness, trade payables, accrued liabilities, long-term debt, convertible debentures, lease liabilities and derivative financial instruments. As a result of its use of financial instruments, the Corporation is exposed to credit risk, liquidity risk and market risks relating to foreign exchange fluctuations and interest rate fluctuations.

In order to manage its foreign exchange and interest rate risks, the Corporation uses derivative financial instruments: (i) to set in CAN dollars future payments on debts denominated in U.S. dollars (interest and principal) and certain purchases of inventories and other capital expenditures denominated in a foreign currency; and (ii) to achieve a targeted balance of fixed- and floating rate debt. The Corporation does not intend to settle its derivative financial instruments prior to their maturity as none of these instruments is held or issued for speculative purposes.

Table 8
Description of derivative financial instruments at December 31, 2021
(in millions of dollars)

Foreign exchange forward contracts

Maturity	CAN dollar average exchange rate per one U.S. dollar	Notional amount sold	Notional amount bought
Videotron			
Less than 1 year	1.2578	$ 177.4	US$ 141.0

Hedged item	Hedging instrument			
	Period covered	Notional amount	Annual interest rate on notional amount in CAN dollars	CAN dollar exchange rate on interest and capital payments per one U.S. dollar
Quebecor Media				
5.750% Senior Notes due 2023	2016 to 2023	US$ 431.3	7.27%	0.9792
5.750% Senior Notes due 2023	2012 to 2023	US$ 418.7	6.85%	0.9759
Videotron				
5.375% Senior Notes due 2024	2014 to 2024	US$ 158.6	Bankers' acceptance 3 months + 2.67%	1.1034
5.375% Senior Notes due 2024	2017 to 2024	US$ 441.4	5.62%	1.1039
5.125% Senior Notes due 2027	2017 to 2027	US$ 600.0	4.82%	1.3407
3.625% Senior Notes due 2029	2021 to 2029	US$ 500.0	4.04%	1.2109

Cross-currency swaps

Certain cross-currency swaps entered into by the Corporation include an option that allows each party to unwind the transaction on a specific date at the then settlement amount.

The gains on valuation and translation of financial instruments for 2021 and 2020 are summarized in Table 10.

Table 9
Gain on valuation and translation of financial instruments
(in millions of Canadian dollars)

	2021	2020
Gain on embedded derivatives related to convertible debentures	**$ (14.9)**	$ (9.3)
Other	**0.5**	1.3
	$ (14.4)	$ (8.0)

A $0.4 million gain on cash flow hedges was recorded under other comprehensive income in 2021 ($17.1 million loss in 2020).

Fair Value of Financial Instruments

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates. An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market, to the net exposure of the counterparty or the Corporation.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using market inputs, including volatility, discount factors and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of December 31, 2021 and December 31, 2020 were as follows:

Table 10
Fair value of long-term debt, convertible debentures and derivative financial instruments
(in millions of Canadian dollars)

		2021		2020
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,554.0)**	**$ (6,660.4)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(139.5)**	**(139.5)**	(153.5)	(153.5)
Derivative financial instruments[3]				
Foreign exchange forward contracts	**0.9**	**0.9**	(8.0)	(8.0)
Cross-currency swaps	**381.4**	**381.4**	605.1	605.1

1 The carrying value of long-term debt excludes the fair value of long-term debt related to hedged interest rate risk and financing costs.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

3 The net fair value of derivative financial instruments designated as cash flow hedges is an asset position of $348.1 million as of December 31, 2021 ($552.5 million at December 31, 2020) and the net fair value of derivative financial instruments designated as fair value hedges is an asset position of $34.2 million as of December 31, 2021 ($44.6 million at December 31, 2020).

Due to the judgment used in applying a wide range of acceptable techniques and estimates in calculating fair value amounts, fair values are not necessarily comparable among financial institutions or other market participants and may not be realized in an actual sale or on the immediate settlement of the instrument.

Credit risk management

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial asset fails to meet its contractual obligations and arises principally from amounts receivable from customers, including contract assets.

The gross carrying amounts of financial assets represent the maximum credit exposure. As of December 31, 2021, the gross carrying amount of trade receivables and contract assets, including their long-term portions, was $913.4 million ($790.2 million as of December 31, 2020).

In the normal course of business, the Corporation continuously monitors the financial condition of its customers and reviews the credit history of each new customer. The Corporation uses its customers' historical terms of payment and acceptable collection periods for each customer class, as well as changes in its customers' credit profiles, to define default to collect amounts receivable from customers, including contract assets.

As of December 31, 2021, no customer balance represented a significant portion of the Corporation's consolidated trade receivables. The Corporation is using the expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions As of December 31, 2021, the provision for expected credit losses represented 2.0% of the gross amount of trade receivables and contract assets (2.6% as of December 31, 2020), while 6.9% of trade receivables were 90 days past their billing date (5.0% as of December 31, 2020).

The following table shows changes to the provision for expected credit losses for the years ended December 31, 2021 and 2020:

	2021	2020
Balance at beginning of year	**$ 20.8**	$ 19.6
Changes in expected credit losses charged to income	**17.2**	17.4
Write-off	**(19.5)**	(16.2)
Balance at end of year	**$ 18.5**	$ 20.8

The Corporation believes that its product lines and the diversity of its customer base are instrumental in reducing its credit risk, as well as the impact of fluctuations in product-line demand. The Corporation does not believe that it is exposed to an unusual level of customer credit risk.

As a result of its use of derivative financial instruments, the Corporation is exposed to the risk of non-performance by a third party. When the Corporation enters into derivative contracts, the counterparties (either foreign or Canadian) must have credit ratings at least in accordance with the Corporation's risk-management policy and are subject to concentration limits. These credit ratings and concentration limits are monitored on an ongoing basis, but at least quarterly.

Liquidity risk management

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due or the risk that those financial obligations will have to be met at excessive cost. The Corporation manages this exposure through staggered debt maturities. The weighted average term of the Corporation's consolidated debt was approximately 5.1 years as of December 31, 2021, compared with 4.3 years at December 31, 2020.

Market risk

Market risk is the risk that changes in market prices due to foreign exchange rates, interest rates and/or equity prices will affect the value of the Corporation's financial instruments. The objective of market risk management is to mitigate and control exposures within acceptable parameters while optimizing the return on risk.

Foreign currency risk

Most of the Corporation's consolidated revenues and expenses, other than interest expense on U.S.-dollar-denominated debt, purchases of set-top boxes, gateways, modems, mobile devices and certain capital expenditures, are received or denominated in CAN dollars. A significant portion of the interest, principal and premium, if any, payable on its debt is payable in U.S. dollars. The Corporation has entered into transactions to hedge the foreign currency risk exposure on its U.S.-dollar-denominated debt obligations outstanding as of December 31, 2021, and to hedge its exposure on certain purchases of set-top boxes, gateways, modems, mobile devices and capital expenditures. Accordingly, the Corporation's sensitivity to variations in foreign exchange rates is economically limited.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a variance of $0.10 in the year-end exchange rate of a CAN dollar per one U.S. dollar used to calculate the fair value of financial instruments as of December 31, 2021 is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of $0.10	**$ 0.7**	**$ 35.1**
Decrease of $0.10	**(0.7)**	**(35.1)**

A variance of $0.10 in the 2021 average exchange rate of CAN dollar per one U.S. dollar would have resulted in a variance of $8.8 million on the value of unhedged purchases of goods and services and $6.6 million on the value of unhedged acquisitions of tangible and intangible assets in 2021.

A variance of 10% in the exchange rate of CAN dollar per one Turkish Lira as of December 31, 2021 would have resulted in a variance of $3.2 million of the loss on translation of investments in foreign associates in the consolidated statements of comprehensive income.

Interest rate risk

Some of the Corporation's bank credit facilities bear interest at floating rates based on the following reference rates: (i) Bankers' acceptance rate, (ii) LIBOR, (iii) Canadian prime rate, and (iv) U.S. prime rate. The Senior Notes issued by the Corporation bear interest at fixed rates. The Corporation has entered into cross-currency swap agreements in order to manage cash flow risk exposure. After taking into account hedging instruments, the debt consisted of approximately 91.7% fixed-rate debt, compared with 96.1% at December 31, 2020, and 8.3% floating-rate debt, compared with 3.9% at December 31, 2020.

The estimated sensitivity on interest payments of a 100 basis-point variance in the year-end Canadian Bankers' acceptance rate as of December 31, 2021 was $5.2 million.

The estimated sensitivity on income and on other comprehensive income, before income taxes, of a 100 basis-point variance in the discount rate used to calculate the fair value of financial instruments, other than convertible debentures and embedded derivatives related to convertible debentures, as of December 31, 2021, as per the Corporation's valuation models, is as follows:

Increase (decrease)	**Income**	**Other comprehensive income**
Increase of 100 basis points	**$ (0.7)**	**$ (5.2)**
Decrease of 100 basis points	**0.7**	**5.2**

Capital management

The Corporation's primary objective in managing capital is to maintain an optimal capital base in order to support the capital requirements of its various businesses, including growth opportunities.

In managing its capital structure, the Corporation takes into account the asset characteristics of its subsidiaries and planned requirements for funds, leveraging their individual borrowing capacities in the most efficient manner to achieve the lowest cost of financing. Management of the capital structure involves the issuance and repayment of debt and convertible debentures, the issuance and repurchase of shares, the use of cash flows generated by operations, and the level of distributions to shareholders. The Corporation has not significantly changed its strategy regarding the management of its capital structure since the last financial year.

The Corporation's capital structure is composed of equity, bank indebtedness, long-term debt, convertible debentures, embedded derivatives related to convertible debentures, lease liabilities, derivative financial instruments and cash and cash equivalents. The capital structure as of December 31, 2021 and 2020 is as follows:

Table 11
Capital structure of Quebecor
(in millions of Canadian dollars)

		2021		2020
Bank indebtedness	**$**	**–**	$	1.7
Long-term debt		**6,524.4**		5,773.4
Convertible debentures		**150.0**		150.0
Embedded derivatives related to convertible debentures		**(8.4)**		6.5
Lease liabilities		**183.2**		173.3
Derivative financial instruments		**(382.3)**		(597.1)
Cash and cash equivalents		**(64.7)**		(136.7)
Net liabilities		**6,402.2**		5,371.1
Equity	**$**	**1,378.8**	$	1,214.1

The Corporation is not subject to any externally imposed capital requirements other than certain restrictions under the terms of its borrowing agreements, which relate, among other things, to permitted investments, intercompany transactions, and the declaration and payment of dividends or other distributions.

Contingencies and legal disputes

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation’s results or on its financial position.

There are also a number of other legal proceedings against the Corporation that are pending. Generally, management of the Corporation establishes provisions for claims or actions considering the facts of each case. The Corporation cannot determine when and if any payment will be made related to these legal proceedings.

In August 2021, a competitor launched legal proceedings in Federal Court contesting the awarding of licences in the 3500 MHZ band in Western Canada to Videotron. This case is currently before the Court.

On August 15, 2019, the CRTC issued an order to finalize the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 had been invoiced to resellers and accounted for in the Corporation’s consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

Critical Accounting Policies and Estimates

Revenue recognition

The Corporation accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the entity can identify each party’s rights regarding the goods or services to be transferred;
- the entity can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the entity’s future cash flows is expected to change as a result of the contract); and
- it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services to be transferred to the customer.

The portion of revenues that is invoiced and unearned is presented as “Deferred revenue” in the consolidated balance sheets. Deferred revenue is usually recognized as revenue in the subsequent year.

Telecommunications

The Telecommunications segment provides services under multiple deliverable arrangements, mainly for mobile contracts in which the sale of mobile devices is bundled with telecommunication services over the contract term. The total consideration from a contract with multiple deliverables is allocated to all performance obligations in the contract based on the stand-alone selling price of each obligation. The total consideration can be comprised of an upfront fee or a number of monthly installments for the equipment sale and a monthly fee for the telecommunication service. Each performance obligation of multiple deliverable arrangements is then separately accounted for based on its allocated consideration amount.

The Corporation does not adjust the amount of consideration allocated to the equipment sale for the effects of a financing component since this component is not significant.

The Telecommunications segment recognizes each of its main activities’ revenues as follows:

- operating revenues from subscriber services, such as television distribution, Internet access, wireline and mobile telephony, and OTT video services are recognized when services are provided;
- revenues from equipment sales to subscribers are recognized when the equipment is delivered;
- operating revenues related to service contracts are recognized in income on a straight-line basis over the period in which the services are provided; and
- wireline connection and mobile activation revenues are deferred and recognized respectively as revenues over the period of time the customer is expected to remain a customer of the Corporation and over the contract term.

When a mobile device and a service are bundled under a single mobile contract, the term of the contract is generally 24 months.

The portion of mobile revenues earned without being invoiced is presented as contract assets in the consolidated balance sheets. Contract assets are realized over the term of the contract.

Media

The Media segment recognizes each of its main activities’ revenues as follows:

- advertising revenues are recognized when the advertising is aired on television, is featured in newspapers or magazines or is displayed on the digital properties or on transit shelters;
- revenues from subscriptions to specialty television channels or to online publications are recognized on a monthly basis at the time service is provided or over the period of the subscription;
- revenues from the sale or distribution of newspapers and magazines are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- soundstage and equipment rental revenues are recognized over the rental period;
- revenues derived from speciality film and television services are recognized when services are provided; and
- revenues from distribution of audiovisual content are recognized when the content has been delivered and accepted in accordance with the conditions of the licence or distribution agreement.

Sports and Entertainment

The Sports and Entertainment segment recognizes each of its main activities’ revenues as follows:

- revenues from the sale or distribution of books and entertainment products are recognized upon delivery, net of provisions for estimated returns based on historical rate of returns;
- revenues from venue rental, ticket sales (including season tickets) and sales from food concessions are recognized when the events take place and/or goods are sold, as the case may be;
- revenues from the rental of suites are recognized ratably over the period of the agreement;
- revenues from the sale of advertising in the form of venue signage or sponsorships are recognized ratably over the period of the agreement; and
- revenues derived from sporting and cultural event management are recognized when services are provided.

Impairment of assets

For the purposes of assessing impairment, assets are grouped in cash-generating units ("CGUs"), which represent the lowest levels for which there are separately identifiable cash inflows generated by those assets. The Corporation reviews, at each balance sheet date, whether events or circumstances have occurred to indicate that the carrying amounts of its long-lived assets with finite useful lives may be less than their recoverable amounts. Goodwill, intangible assets having an indefinite useful life, and intangible assets not yet available for use are tested for impairment each financial year, as well as whenever there is an indication that the carrying amount of the asset, or the CGU to which an asset has been allocated, exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the asset or the CGU. Fair value less costs of disposal represents the amount an entity could obtain at the valuation date from the asset's disposal in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal. The value in use represents the present value of the future cash flows expected to be derived from the asset or the CGU.

The Corporation uses the discounted cash flow method to estimate the recoverable amount, consisting of future cash flows derived primarily from the most recent budget and three-year strategic plan approved by the Corporation's management and presented to the Board of Directors. These forecasts considered each CGU's past operating performance and market share as well as economic trends, along with specific and market industry trends and corporate strategies. A perpetual growth rate is used for cash flows beyond the three-year strategic plan period. The discount rate used by the Corporation is a pre-tax rate derived from the weighted average cost of capital pertaining to each CGU, which reflects the current market assessment of: (i) the time value of money; and (ii) the risk specific to the assets for which the future cash flow estimates have not been risk-adjusted. The perpetual growth rate was determined with regard to the specific markets in which the CGUs participate.

An impairment loss is recognized in the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount. When the recoverable amount of a CGU to which goodwill has been allocated is lower than the CGU's carrying amount, the related goodwill is first impaired. Any excess amount of impairment is recognized and attributed to assets in the CGU, prorated to the carrying amount of each asset in the CGU.

An impairment loss recognized in prior periods for long-lived assets with finite useful lives and intangible assets having an indefinite useful life, other than goodwill, can be reversed through the consolidated statement of income to the extent that the resulting carrying value does not exceed the carrying value that would have been the result had no impairment loss been recognized previously.

When determining the recoverable amount of an asset or CGU, assessment of the information available at the valuation date is based on management's judgment and may involve estimates and assumptions. Furthermore, the discounted cash flow method used in determining the recoverable amount of an asset or CGU relies on the use of estimates such as the amount and timing of cash flows, expected variations in the amount or timing of those cash flows, the time value of money as represented by the risk-free rate, and the risk premium associated with the asset or CGU.

Therefore, the judgment used in determining the recoverable amount of an asset or CGU may affect the amount of the impairment loss to be recorded to an asset or CGU, as well as the potential reversal of the impairment charge in the future.

Based on the data and assumptions used in its last impairment test, the Corporation believes that there is no significant amount of long-lived assets with finite useful lives, or goodwill and intangible assets with indefinite useful lives, on its books at this time that present a significant risk of impairment in the near future.

The net book value of goodwill as at December 31, 2021 was $2.72 billion, and the net book value of intangible assets with indefinite useful lives as at December 31, 2021 was $1.57 billion.

Indefinite useful life of spectrum licences

Management has concluded that spectrum licences have an indefinite useful life. This conclusion was based on an analysis of factors, such as the Corporation's financial ability to renew the spectrum licences, the competitive, legal and regulatory landscape, and future expectations regarding the use of the spectrum licences. The determination that spectrum licences have an indefinite useful life therefore involves judgment, which could have an impact on the amortization charge recorded in the consolidated statements of income if management were to change its conclusion in the future.

Derivative financial instruments and hedge accounting

The Corporation uses various derivative financial instruments to manage its exposure to fluctuations in foreign currency exchange rates and interest rates. The Corporation does not hold or use any derivative financial instruments for speculative purposes. Under hedge accounting, the Corporation documents all hedging relationships between hedging instruments and hedged items, as well as its strategy for using hedges and its risk-management objective. It also designates its derivative financial instruments as either fair value hedges or cash flow hedges when they qualify for hedge accounting. The Corporation assesses the effectiveness of its hedging relationships at initiation and on an ongoing basis.

The Corporation generally enters into the following types of derivative financial instruments.

- The Corporation uses foreign exchange forward contracts to hedge foreign currency rate exposure on anticipated equipment or inventory purchases in a foreign currency. These foreign exchange forward contracts are designated as cash flow hedges.
- The Corporation uses cross-currency swaps to hedge (i) foreign currency rate exposure on interest and principal payments on foreign currency denominated debt and/or (ii) fair value exposure on certain debt resulting from changes in interest rates. The cross-currency swaps that set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting an interest rate from a floating rate to a floating rate or from a fixed rate to a fixed rate, are designated as cash flow hedges. The cross-currency swaps are designated as fair value hedges when they set all future interest and principal payments on U.S.-dollar-denominated debt in fixed CAN dollars, in addition to converting the interest rate from a fixed rate to a floating rate.
- The Corporation has established a hedge ratio of one for one for all its hedging relationships as the underlying risks of its hedging derivatives are identical to the hedged item risks.

The Corporation measures and records the effectiveness of its hedging relationships as follows.

- For cash flow hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of a hypothetical derivative that simulates cash flows of the hedged items .
- For fair value hedges, the hedge effectiveness is tested and measured by comparing changes in the fair value of the hedging derivative with the changes in the fair value of the hedged item attributable to the hedged risk.
- Most of the Corporation’s hedging relationships are not generating material ineffectiveness. The ineffectiveness, if any, is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Under hedge accounting, the Corporation applies the following accounting policies.

- For derivative financial instruments designated as fair value hedges, changes in the fair value of the hedging derivative recorded in income are substantially offset by changes in the fair value of the hedged item to the extent that the hedging relationship is effective. When a fair value hedge is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustments to the carrying value of the hedged item are amortized to income over the remaining term of the original hedging relationship.
- For derivative financial instruments designated as cash flow hedges, the effective portion of a hedge is reported in other comprehensive income until it is recognized in income during the same period in which the hedged item affects income, while the ineffective portion is immediately recognized in income. When a cash flow hedge is discontinued, the amounts previously recognized in accumulated “other comprehensive income” are reclassified to income when the variability in the cash flows of the hedged item affects income.

Any change in the fair value of derivative financial instruments recorded in income is included in gain or loss on valuation and translation of financial instruments. Interest expense on hedged long-term debt is reported at the hedged interest and foreign currency rates.

Derivative financial instruments that do not qualify for hedge accounting, including derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts, are reported on a fair value basis on the consolidated balance sheets. Any change in the fair value of these derivative financial instruments is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Convertible debentures

The convertible debentures are accounted for as a financial liability and the cap and floor conversion price features are accounted for separately as embedded derivatives. The embedded derivatives are measured at fair value and any subsequent change in the fair value is recorded in the consolidated statements of income as a gain or loss on valuation and translation of financial instruments.

Pension plans and postretirement benefits

The Corporation offers defined contribution pension plans and defined benefit pension plans to some of its employees.

Quebecor Media's defined benefit obligations with respect to defined benefit pension plans and postretirement benefits are measured at present value and assessed on the basis of a number of economic and demographic assumptions which are established with the assistance of Quebecor Media's actuaries. Key assumptions relate to the discount rate, the rate of increase in compensation, retirement age of employees, healthcare costs, and other actuarial factors. Defined benefit pension plan assets are measured at fair value and consist mainly of equities and corporate and government fixed-income securities.

Remeasurements of the net defined benefit liability or asset are recognized immediately in other comprehensive income.

Recognition of a net benefit asset is limited under certain circumstances to the amount recoverable, which is primarily based on the present value of future contributions to the plan, to the extent that the Corporation can unilaterally reduce those future contributions. In addition, an adjustment to the net benefit asset or the net benefit liability can be recorded to reflect a minimum funding liability in a certain number of the Corporation's pension plans. The assessment of the amount recoverable in the future and the minimum funding liability is based on a number of assumptions, including future service costs and future plan contributions.

The Corporation considers all the assumptions used to be reasonable in view of the information available at this time. However, variances from certain of those assumptions may have a significant impact on the costs and obligations of pension plans and postretirement benefits in future periods.

Share-based compensation

Stock-based awards to employees that call for settlement in cash, deferred share units ("DSUs") or performance share units ("PSUs"), or that call for settlement in cash at the option of the employee, as stock options awards, are accounted for at fair value and classified as a liability. The compensation cost is recognized in expenses over the vesting period. Changes in the fair value of stock-based awards between the grant date and the measurement date result in a change in the liability and compensation cost.

The fair value of DSUs and PSUs is based on the underlying share price at the date of valuation. The fair value of stock option awards is determined by applying an option pricing model, taking into account the terms and conditions of the grant and assumptions such as the risk-free interest rate, distribution yield, expected volatility, and the expected remaining life of the option.

Provisions

Provisions are recognized (i) when the Corporation has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, and (ii) when the amount of the obligation can be reliably estimated. Restructuring costs, comprised primarily of termination benefits, are recognized when a detailed plan for the restructuring exists and a valid expectation has been raised in those affected that the plan will be carried out.

Provisions are reviewed at each consolidated balance sheet date and changes in estimates are reflected in the consolidated statements of income in the reporting period in which the changes occur.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the balance sheet date or to transfer it to a third party at that time and it is adjusted for the effect of time value when material. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill those obligations.

No amounts are recognized for obligations that are possible but not probable or for those for which an amount cannot be reasonably estimated.

Contract costs

Incremental and direct costs, such as costs to obtain a contract, mainly sales commissions, or the cost of connecting a subscriber to the Corporation's telecommunication network, are included in contract costs and amortized over the period of time the customer is expected to maintain its service or over the contract term. The amortization of contract costs is included in purchase of goods and services in the consolidated statements of income.

Provision for expected credit losses

The Corporation maintains a provision to cover anticipated credit losses from customers who are unable to pay their debts. The provision is reviewed periodically, considering the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

Business acquisitions

A business acquisition is accounted for by the acquisition method. The cost of an acquisition is measured at the fair value of the consideration given in exchange for control of the business acquired at the acquisition date. This consideration can be comprised of cash, assets transferred, financial instruments issued, or future contingent payments. The identifiable assets and liabilities of the acquired business are recognized at their fair value at the acquisition date. Goodwill is measured and recognized as the excess of the fair value of the consideration paid over the fair value of the recognized identifiable assets acquired and liabilities assumed.

Determining the fair value of certain acquired assets, assumed liabilities and future contingent considerations requires judgment and involves complete and absolute reliance on estimates and assumptions. The Corporation primarily uses the discounted future cash flows approach to estimate the value of acquired intangible assets.

The estimates and assumptions used in the allocation of the purchase price at the date of acquisition may also have an impact on the amount of an impairment charge to be recognized, if any, after the date of acquisition, as discussed above under "Impairment of assets."

Contingent considerations and future conditional adjustments

Contingent considerations and future conditional adjustments arising from business acquisition or disposal are measured and accounted for at their fair value. The fair value is estimated based on a present value model requiring management to assess the probabilities that the conditions on which the contingent considerations and future conditional adjustments are based will be met in the future. The assessment of these contingent and conditional potential outcomes requires judgment from management and could have an impact on the initial amount of contingent considerations or future conditional adjustments recognized and on any subsequent changes in fair value recorded in the consolidated statements of income.

Interpretation of laws and regulations

Interpretation of laws and regulations, including those of the CRTC and tax regulations, requires judgment from management and could have an impact on revenue recognition, provisions, income taxes and capital expenditures in the consolidated financial statements.

Tax credits and government assistance

The Corporation has access to several government programs designed to support large investment projects, the roll-out of high-speed Internet services in various regions of Québec, production and distribution of televisual products and movies, as well as music products, magazine and book publishing in Canada. In addition, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy program available during the health crisis. The Corporation also receives tax credits mainly related to its research and development activities, publishing activities and digital activities. Government financial assistance is accounted for as revenue or as a reduction in related costs, whether capitalized and amortized or expensed, in the year the costs are incurred and when management has reasonable assurance that the conditions of the government programs are being met.

Income taxes

Deferred income taxes are accounted for using the liability method. Under this method, deferred income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred income tax assets and liabilities is recognized in income in the period that includes the substantive enactment date. A deferred tax asset is recognized initially when it is probable that future taxable income will be sufficient to use the related tax benefits and may be reduced subsequently, if necessary, to an amount that is more likely than not to be realized.

The assessment of deferred income taxes is judgmental in nature and is dependent on assumptions and estimates as to the availability and character of future taxable income. The ultimate amount of deferred income tax assets realized could be slightly different from that recorded, since it is influenced by the Corporation's future operating results.

The Corporation is under audit at all times by various tax authorities in each of the jurisdictions in which it operates. A number of years may elapse before a particular matter for which management has established a reserve is audited and resolved. The number of years between each tax audit varies depending on the tax jurisdiction. Management believes that its estimates are reasonable and reflect the probable outcome of known tax contingencies, although the outcome is difficult to predict.

Leases

The Corporation recognizes, for most of its leases, a right-of-use asset and a lease liability at the commencement of a lease. The right-of-use asset and the lease liability are initially measured at the present value of lease payments over the lease term, less incentive payments received, using the Corporation incremental borrowing rate or the interest rate implicit in the lease at that date. The term of the lease is comprised of the initial lease term and any additional period for which it is reasonably certain that the Corporation will exercise its extension option.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset.

Interest on lease liabilities is recorded in the consolidated statements of income as financial expenses and principal payments on the lease liability are presented as part of financing activities in the consolidated statements of cash flows.

Non-IFRS financial measures

The financial measures not standardized under IFRS that are used by the Corporation to assess its financial performance, such as adjusted EBITDA, adjusted income from continuing operating activities, adjusted cash flows from operations, free cash flows from continuing operating activities and consolidated net debt leverage ratio, are not calculated in accordance with, or recognized by IFRS. The Corporation’s method of calculating these non-IFRS financial measures may differ from the methods used by other companies and, as a result, the non-IFRS financial measures presented in this document may not be comparable to other similarly titled measures disclosed by other companies.

Adjusted EBITDA

In its analysis of operating results, the Corporation defines adjusted EBITDA, as reconciled to net income under IFRS, as net income before depreciation and amortization, financial expenses, gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income tax, and income (loss) from discontinued operations. Adjusted EBITDA as defined above is not a measure of results that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted EBITDA in order to assess the performance of its investment in Quebecor Media. The Corporation’s management and Board of Directors use this measure in evaluating its consolidated results as well as the results of the Corporation’s operating segments. This measure eliminates the significant level of impairment and depreciation/amortization of tangible and intangible assets and is unaffected by the capital structure or investment activities of the Corporation and its business segments.

Adjusted EBITDA is also relevant because it is a component of the Corporation’s annual incentive compensation programs. A limitation of this measure, however, is that it does not reflect the periodic costs of tangible and intangible assets used in generating revenues in the Corporation’s segments. The Corporation also uses other measures that do reflect such costs, such as adjusted cash flows from operations and free cash flows from continuing operating activities. The Corporation’s definition of adjusted EBITDA may not be the same as similarly titled measures reported by other companies.

Table 12 provides a reconciliation of adjusted EBITDA to net income as disclosed in Quebecor’s consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in Table 12 below is drawn from the Corporation’s unaudited quarterly consolidated financial statements.

Table 12
Reconciliation of the adjusted EBITDA measure used in this report to the net income measure used in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,875.7**	$ 1,864.4	$ 1,803.4	**$ 466.5**	$ 481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Depreciation and amortization	**(783.8)**	(803.2)	(750.4)	**(197.6)**	(213.5)
Financial expenses	**(333.4)**	(328.2)	(327.5)	**(79.5)**	(79.1)
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	**–**	–
Income taxes	**(197.0)**	(205.8)	(205.7)	**(56.6)**	(58.1)
Income (loss) from discontinued operations	**–**	33.2	97.5	**–**	(0.6)
Net income	**$ 588.4**	$ 617.4	$ 658.3	**$ 164.5**	$ 168.5

Adjusted income from continuing operating activities

The Corporation defines adjusted income from continuing operating activities, as reconciled to net income attributable to shareholders under IFRS, as net income attributable to shareholders before gain (loss) on valuation and translation of financial instruments, restructuring of operations and other items, and loss on debt refinancing, net of income tax related to adjustments and net income attributable to non-controlling interest related to adjustments, and before income (loss) from discontinued operations attributable to shareholders. Adjusted income from continuing operating activities, as defined above, is not a measure of results that is consistent with IFRS. It should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Corporation uses adjusted income from continuing operating activities to analyze trends in the performance of its businesses. The above-listed items are excluded from the calculation of this measure because they impair the comparability of financial results. Adjusted income from continuing operating activities is more representative for forecasting income. The Corporation's definition of adjusted income from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Table 13 provides a reconciliation of adjusted income from continuing operating activities to the net income attributable to shareholders' measure used in Quebecor's consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in Table 13 below is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 13

Reconciliation of the adjusted income from continuing operating activities measure used in this report to the net income attributable to shareholders' measure used in the consolidated financial statements

(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted income from continuing operating activities	**$ 621.9**	$ 594.5	$ 581.0	**$ 157.6**	$ 165.0
Gain (loss) on valuation and translation of financial instruments	**14.4**	8.0	(6.5)	**7.2**	(0.9)
Restructuring of operations and other items	**(4.1)**	(39.2)	(28.6)	**(7.8)**	(6.1)
Loss on debt refinancing	**(80.9)**	–	–	**–**	–
Income taxes related to adjustments[1]	**26.1**	9.1	8.0	**2.5**	2.1
Net income attributable to non-controlling interest related to adjustments	**1.0**	1.6	1.4	**1.0**	0.3
Discontinued operations	–	33.2	97.5	**–**	(0.6)
Net income attributable to shareholders	**$ 578.4**	$ 607.2	$ 652.8	**$ 160.5**	$ 159.8

[1] Includes impact of fluctuations in income tax applicable to adjusted items, either for statutory reasons or in connection with tax transactions.

Adjusted cash flows from operations and free cash flows from continuing operating activities

Adjusted cash flows from operations

Adjusted cash flows from operations represents adjusted EBITDA, less additions to property, plant and equipment and to intangible assets (excluding licence acquisitions and renewals). Adjusted cash flows from operations represents funds available for interest and income tax payments, expenditures related to restructuring programs, business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Adjusted cash flows from operations is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. Adjusted cash flows from operations is used by the Corporation's management and Board of Directors to evaluate the cash flows generated by the operations of all of its segments, on a consolidated basis, in addition to the operating cash flows generated by each segment. Cash flows from operations are also relevant because they are a component of the Corporation's annual incentive compensation programs. The Corporation's definition of adjusted cash flows from operations may not be identical to similarly titled measures reported by other companies.

Free cash flows from continuing operating activities

Free cash flows from continuing operating activities represents cash flows provided by continuing operating activities calculated in accordance with IFRS, less cash flows used for additions to property, plant and equipment and to intangible assets (excluding expenditures related to licence acquisitions and renewals), plus proceeds from disposal of assets. Free cash flows from continuing operating activities is used by the Corporation's management and Board of Directors to evaluate cash flows generated by the Corporation's operations. Free cash flows from continuing operating activities represents available funds for business acquisitions, licence acquisitions and renewals, payment of dividends, repayment of long-term debt and lease liabilities, and share repurchases. Free cash flows from continuing operating activities is not a measure of liquidity that is consistent with IFRS. It is not intended to be regarded as an alternative to IFRS financial performance measures or to the statement of cash flows as a measure of liquidity. The Corporation's definition of free cash flows from continuing operating activities may not be identical to similarly titled measures reported by other companies.

Tables 14 and 15 provide a reconciliation of adjusted cash flows from operations and free cash flows from continuing operating activities to cash flows provided by continuing operating activities reported in the consolidated financial statements. The consolidated financial information for the three-month periods ended December 31, 2021 and 2020 presented in tables 14 and 15 is drawn from the Corporation's unaudited quarterly consolidated financial statements.

Table 14
Adjusted cash flows from operations
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted EBITDA (negative adjusted EBITDA):					
Telecommunications	**$ 1,875.7**	$ 1,864.4	$ 1,803.4	**$ 466.5**	$ 481.7
Media	**83.4**	82.2	74.8	**28.8**	45.6
Sports and Entertainment	**20.4**	8.7	7.3	**4.2**	2.1
Head Office	**(6.3)**	(2.7)	(6.0)	**(0.7)**	(2.6)
	1,973.2	1,952.6	1,879.5	**498.8**	526.8
Minus					
Additions to property, plant and equipment:[1]					
Telecommunications	**(391.5)**	(402.1)	(459.3)	**(75.0)**	(103.9)
Media	**(20.3)**	(14.3)	(24.0)	**(9.7)**	(7.6)
Sports and Entertainment	**(0.8)**	(0.6)	(1.3)	**(0.4)**	(0.4)
Head Office	**(1.5)**	(1.5)	(1.7)	**0.1**	(0.2)
	(414.1)	(418.5)	(486.3)	**(85.0)**	(112.1)
Additions to intangible assets:[2]					
Telecommunications	**(145.6)**	(194.0)	(218.8)	**(33.2)**	(60.7)
Media	**(24.6)**	(23.7)	(26.0)	**(7.6)**	(7.2)
Sports and Entertainment	**(3.5)**	(2.8)	(3.6)	**(1.3)**	(0.5)
Head Office	**(3.3)**	(1.2)	(0.7)	**(1.1)**	(1.1)
	(177.0)	(221.7)	(249.1)	**(43.2)**	(69.5)
Adjusted cash flows from operations					
Telecommunications	**1,338.6**	1,268.3	1,125.3	**358.3**	317.1
Media	**38.5**	44.2	24.8	**11.5**	30.8
Sports and Entertainment	**16.1**	5.3	2.4	**2.5**	1.2
Head Office	**(11.1)**	(5.4)	(8.4)	**(1.7)**	(3.9)
	$ 1,382.1	$ 1,312.4	$ 1,144.1	$ **370.6**	$ 345.2

[1] **Reconciliation to cash flows used for additions to property, plant and equipment as per consolidated financial statements:**

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to property, plant and equipment	**$ (414.1)**	$ (418.5)	$ (486.3)	**$ (85.0)**	$ (112.1)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(15.2)**	(28.7)	(15.3)	**(6.6)**	(10.3)
Cash flows used for additions to property, plant and equipment	**$ (429.3)**	$ (447.2)	$ (501.6)	**$ (91.6)**	$ (122.4)

[2] **Reconciliation to cash flows used for additions to intangible assets as per consolidated financial statements:**

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Additions to intangible assets	**$ (177.0)**	$ (221.7)	$ (249.1)	**$ (43.2)**	$ (69.5)
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(11.7)**	15.8	8.0	**1.1**	48.7
Cash flows used for licence acquisitions	**(830.0)**	–	(255.8)	**(664.0)**	–
Cash flows used for additions to intangible assets	**$ (1,018.7)**	$ (205.9)	$ (496.9)	**$ (706.1)**	$ (20.8)

Table 15
Free cash flows from continuing operating activities and cash flows provided by continuing operating activities reported in the consolidated financial statements
(in millions of Canadian dollars)

	Years ended December 31			Three months ended December 31	
	2021	2020	2019	**2021**	2020
Adjusted cash flows from operations from Table 14	**$ 1,382.1**	$ 1,312.4	$ 1,144.1	**$ 370.6**	$ 345.2
Plus (minus)					
Cash portion of financial expenses	**(325.5)**	(320.1)	(319.4)	**(77.8)**	(77.1)
Cash portion related to restructuring of operations and other items	**(22.0)**	(31.6)	(9.8)	**(7.5)**	(5.4)
Current income taxes	**(256.9)**	(208.7)	(107.9)	**(65.6)**	(27.7)
Other	**8.6**	3.7	2.9	**2.7**	(0.2)
Net change in non-cash balances related to operating activities	**(187.1)**	40.0	(229.3)	**(26.0)**	(38.6)
Net variance in current operating items related to additions to property, plant and equipment (excluding government credits receivable for major capital projects)	**(15.2)**	(28.7)	(15.3)	**(6.6)**	(10.3)
Net variance in current operating items related to additions to intangible assets (excluding government credits receivable for major capital projects)	**(11.7)**	15.8	8.0	**1.1**	48.7
Free cash flows from continuing operating activities	**572.3**	782.8	473.3	**190.9**	234.6
Plus (minus)					
Cash flows used for additions to property, plant and equipment	**429.3**	447.2	501.6	**91.6**	122.4
Cash flows used for additions to intangible assets (excluding licence acquisitions and renewals)	**188.7**	205.9	241.1	**42.1**	20.8
Proceeds from disposal of assets	**(7.7)**	(4.4)	(4.2)	**(1.5)**	(0.8)
Cash flows provided by continuing operating activities	**$ 1,182.6**	$ 1,431.5	$ 1,211.8	**$ 323.1**	$ 377.0

Consolidated net debt leverage ratio

The consolidated net debt leverage ratio represents consolidated net debt, excluding convertible debentures, divided by the trailing 12-month adjusted EBITDA. Consolidated net debt, excluding convertible debentures, represents total long-term debt plus bank indebtedness, lease liabilities, the current portion of lease liabilities and liabilities related to derivative financial instruments, less assets related to derivative financial instruments and cash and cash equivalents. The consolidated net debt leverage ratio serves to evaluate the Corporation’s financial leverage and is used by management and the Board of Directors in its decisions on the Corporation’s capital structure, including its financing strategy, and in managing debt maturity risks. The consolidated net debt leverage ratio excludes convertible debentures because, subject to certain conditions, those debentures can be repurchased at the Corporation’s discretion by issuing Quebecor Class B Shares. Consolidated net debt leverage ratio is not a measure established in accordance with IFRS. It is not intended to be used as an alternative to IFRS measures or the balance sheet to evaluate its financial position. The Corporation’s definition of consolidated net debt leverage ratio may not be identical to similarly titled measures reported by other companies.

Table 16 provides the calculation of consolidated net debt leverage ratio and the reconciliation to balance sheet items reported in Quebecor's consolidated financial statements.

Table 16
Consolidated net debt leverage ratio
(in millions of Canadian dollars)

	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Total long-term debt[1]	**$ 6,554.0**	$ 5,786.4	$ 5,986.1
Plus (minus)			
Lease liabilities	**147.1**	139.0	106.6
Current portion of lease liabilities	**36.1**	34.3	31.3
Bank indebtedness	**–**	1.7	29.4
Assets related to derivative financial instruments	**(405.6)**	(625.5)	(679.8)
Liabilities related to derivative financial instruments	**23.3**	28.4	2.1
Cash and cash equivalents	**(64.7)**	(136.7)	(14.0)
Consolidated net debt excluding convertible debentures	**6,290.2**	5,227.6	5,461.7
Divided by:			
Trailing 12-month adjusted EBITDA	**$ 1,973.2**	$ 1,952.6	$ 1,879.5
Consolidated net debt leverage ratio	**3.19x**	2.68x	2.91x

1 Excluding changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

Key performance indicators

Revenue-generating unit

The Corporation uses RGU, an industry metric, as a key performance indicator. An RGU represents, as the case may be, subscriptions to the Internet access, television and OTT video services, and subscriber connections to the mobile and wireline telephony services. RGU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of RGU may not be the same as identically titled measurements reported by other companies or published by public authorities.

Average billing per unit

The Corporation uses ABPU, an industry metric, as a key performance indicator. This indicator is used to measure monthly average subscription billing per RGU. ABPU is not a measurement that is consistent with IFRS and the Corporation's definition and calculation of ABPU may not be the same as identically titled measurements reported by other companies.

Mobile ABPU is calculated by dividing the average subscription billing for mobile telephony services by the average number of mobile RGUs during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Total ABPU is calculated by dividing the combined average subscription billing for Internet access, television, OTT video, mobile and wireline telephony services by the total average number of RGUs from Internet access, television, mobile and wireline telephony services during the applicable period, and then dividing the resulting amount by the number of months in the applicable period.

Controls and procedures

In accordance with Regulation 52-109 on Certification of Disclosure in Issuers' Annual and Interim Filings, the effectiveness of the Corporation's disclosure controls and procedures ("DCP") and "Internal control over financial reporting" ("ICFR") has been evaluated. Based on this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that DCP and ICFR were effective as of the end of the financial year ended December 31, 2021, and that the DCP design provides reasonable assurance that material information relating to the Corporation, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared, and the information that the Corporation must present in its annual documents, its interim documents or in other documents it files or submits under securities regulations is recorded, processed, condensed and presented within the timeframes prescribed by this legislation. Moreover, the design of ICFR provides reasonable assurance of the reliability of the Corporation’s financial reporting and of the preparation of its financial statements, for the purpose of financial reporting, in accordance with the IFRS.

Finally, no change to ICFR that has had or is liable to have a material effect was identified by the Corporation’s management during the financial period beginning October 1, 2021 and ending December 31, 2021.

Additional information

The Corporation is a reporting issuer subject to the securities laws of all Canadian provinces and is therefore required to file financial statements, a proxy circular and an annual information form with the various securities commissions. Copies of those documents are available free of charge from the Corporation on request at www.quebecor.com and on the SEDAR website at www.sedar.com.

Cautionary statement regarding forward-looking statements

The statements in this report that are not historical facts are forward-looking statements and are subject to significant known and unknown risks, uncertainties and assumptions that could cause the Corporation’s actual results for future periods to differ materially from those set forth in forward-looking statements. Forward-looking statements may be identified by the use of the conditional or by forward-looking terminology such as the terms “plans,” “expects,” “may,” “anticipates,” “intends,” “estimates,” “projects,” “seeks,” “believes,” or similar terms, variations of such terms or the negative of such terms. Some important factors that could cause actual results to differ materially from those expressed in these forward-looking statements include, but are not limited to:

- Quebecor Media’s ability to continue successfully developing its network and the facilities that support its mobile services;
- general economic, financial or market conditions and variations in the businesses of local, regional and national advertisers in Quebecor Media’s newspapers, television outlets and other media properties;
- the intensity of competitive activity in the industries in which Quebecor operates;
- fragmentation of the media landscape;
- new technologies that might change consumer behaviour with respect to Quebecor Media’s product suites;
- unanticipated higher capital spending required for developing Quebecor Media’s network or to address the continued development of competitive alternative technologies, or the inability to obtain additional capital to continue the development of Quebecor’s business;
- Quebecor’s ability to implement its business and operating strategies successfully and to manage its growth and expansion;
- disruptions to the network through which Quebecor Media provides its television, Internet access, mobile and wireline telephony and OTT video services, and its ability to protect such services against piracy, unauthorized access and other security breaches;
- labour disputes or strikes;
- service interruptions resulting from equipment breakdown, network failure, the threat of natural disasters, epidemics, pandemics and other public-health crisis, including the COVID-19 pandemic, and political instability in some countries;
- impact of emergency measures implemented by various levels of government;
- changes in Quebecor Media’s ability to obtain services and equipment critical to its operations;
- changes in laws and regulations, or in their interpretations, which could result, among other things, in the loss (or reduction in value) of Quebecor Media’s licences or markets, or in an increase in competition, compliance costs or capital expenditures;
- Quebecor Media’s ability to successfully develop its Sports and Entertainment segment and other expanding lines of business in its other segments;
- Quebecor’s substantial indebtedness, the tightening of credit markets, and the restrictions on its business imposed by the terms of its debt; and
- interest rate fluctuations that could affect a portion of Quebecor’s interest payment requirements on long-term debt.

The forward-looking statements in this document are made to provide investors and the public with a better understanding of the Corporation’s circumstances and are based on assumptions it believes to be reasonable as of the day on which they are made. Investors and others are cautioned that the foregoing list of factors that may affect future results is not exhaustive and that undue reliance should not be placed on any forward-looking statements. For more information on the risks, uncertainties and assumptions that could cause the Corporation’s actual results to differ from current expectations, please refer to the “Trend Information,” Risks and Uncertainties" and "Financial Instruments and Financial Risk Management" sections above, and the Corporation's other public filings, available at www.sedar.com and www.quebecor.com.

The forward-looking statements in this Management Discussion and Analysis reflect the Corporation's expectations as of February 23, 2022, and are subject to change after this date. The Corporation expressly disclaims any obligation or intention to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

Montréal, Québec

February 23, 2022

QUEBECOR INC.
SELECTED FINANCIAL DATA

Years ended December 31, 2021, 2020 and 2019
(in millions of Canadian dollars, except per share data)

	2021	2020	2019
Operations			
Revenues	**$ 4,554.4**	$ 4,317.8	$ 4,293.8
Adjusted EBITDA	**1,973.2**	1,952.6	1,879.5
Adjusted cash flows from operations	**1,382.1**	1,312.4	1,144.1
Contribution to net income attributable to shareholders:			
Continuing operations	**621.9**	594.5	581.0
Gain (loss) on valuation and translation of financial instruments	**15.7**	7.5	(6.1)
Unusual items	**(59.2)**	(28.0)	(19.6)
Discontinued operations	**-**	33.2	97.5
Net income attributable to shareholders	**578.4**	607.2	652.8
Basic data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.55**	$ 2.36	$ 2.27
Gain (loss) on valuation and translation of financial instruments	**0.06**	0.03	(0.02)
Unusual items	**(0.23)**	(0.11)	(0.08)
Discontinued operations	**-**	0.13	0.38
Net income attributable to shareholders	**2.38**	2.41	2.55
Weighted average number of shares outstanding (in millions)	**243.5**	251.6	255.6
Diluted data per share			
Contribution to net income attributable to shareholders:			
Continuing operations	**$ 2.52**	$ 2.33	$ 2.24
Dilution impact	**-**	-	0.03
Loss on valuation and translation of financial instruments	**-**	-	(0.02)
Unusual items	**(0.23)**	(0.11)	(0.08)
Discontinued operations	**-**	0.13	0.38
Net income attributable to shareholders	**2.29**	2.35	2.55
Diluted weighted average number of shares (in millions)	**248.3**	256.3	255.8

QUEBECOR INC.

SELECTED QUARTERLY FINANCIAL DATA

(in millions of Canadian dollars, except per share data)

				2021				2020
	Dec. 31	**Sept. 30**	**June 30**	**March 31**	Dec. 31	Sept. 30	June 30	March 31
Revenues	**$ 1,183.9**	**$ 1,148.2**	**$ 1,131.2**	**$ 1,091.1**	$ 1,146.8	$ 1,111.7	$ 1,003.8	$ 1,055.5
Adjusted EBITDA	**498.8**	**520.3**	**501.4**	**452.7**	526.8	513.4	475.7	436.7
Adjusted cash flows from operations	**370.6**	**365.8**	**338.1**	**307.6**	345.2	346.1	326.1	295.0
Contribution to net income attributable to shareholders:								
Continuing operating activities	**157.6**	**176.1**	**158.3**	**129.9**	165.0	173.1	144.9	111.5
Gain (loss) on valuation and translation of financial instruments	**7.6**	**6.1**	**7.3**	**(5.3)**	(0.4)	(18.3)	4.5	21.7
Unusual items	**(4.7)**	**(9.1)**	**(42.1)**	**(3.3)**	(4.2)	(13.9)	(7.0)	(2.9)
Discontinued operations	**-**	**-**	**-**	**-**	(0.6)	-	32.5	1.3
Net income attributable to shareholders	**160.5**	**173.1**	**123.5**	**121.3**	159.8	140.9	174.9	131.6
Basic data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.66**	**$ 0.73**	**$ 0.65**	**$ 0.52**	$ 0.66	$ 0.69	$ 0.57	$ 0.44
Gain (loss) on valuation and translation of financial instruments	**0.03**	**0.02**	**0.03**	**(0.02)**	-	(0.07)	0.02	0.08
Unusual items	**(0.02)**	**(0.04)**	**(0.18)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	-	0.13	0.01
Net income attributable to shareholders	**0.67**	**0.71**	**0.50**	**0.49**	0.64	0.56	0.69	0.52
Weighted average number of shares outstanding (in millions)	**239.8**	**242.7**	**245.0**	**246.7**	249.1	250.5	252.8	254.0
Diluted data per share								
Contribution to net income attributable to shareholders:								
Continuing operating activities	**$ 0.65**	**$ 0.72**	**$ 0.64**	**$ 0.52**	$ 0.66	$ 0.68	$ 0.57	$ 0.42
Dilution impact	**-**	**-**	**-**	**-**	-	0.01	-	-
Loss on valuation and translation of financial instruments	**-**	**-**	**-**	**(0.02)**	-	(0.07)	-	-
Unusual items	**(0.02)**	**(0.04)**	**(0.17)**	**(0.01)**	(0.02)	(0.06)	(0.03)	(0.01)
Discontinued operations	**-**	**-**	**-**	**-**	-	-	0.12	0.01
Net income attributable to shareholders	**0.63**	**0.68**	**0.47**	**0.49**	0.64	0.56	0.66	0.42
Weighted average number of diluted shares outstanding (in millions)	**244.6**	**247.5**	**249.9**	**246.9**	253.8	250.7	258.6	259.9

This is Exhibit 60 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and six-month periods ended June 30, 2019 and 2018

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended June 30 2019	Three months ended June 30 2018 (restated, note 2)	Six months ended June 30 2019	Six months ended June 30 2018 (restated, note 2)
Revenues	3	**$ 1,056.9**	$ 1,038.7	**$ 2,084.2**	$ 2,040.7
Employee costs	4	**172.2**	182.4	**354.0**	362.4
Purchase of goods and services	4	**429.7**	430.4	**854.5**	836.5
Depreciation and amortization		**188.6**	187.2	**377.1**	373.9
Financial expenses	5	**82.8**	80.3	**164.9**	158.8
(Gain) loss on valuation and translation of financial instruments	6	**(16.4)**	75.6	**(2.1)**	105.2
Restructuring of operations and other items	7	**17.3**	2.0	**25.8**	8.5
Income before income taxes		**182.7**	80.8	**310.0**	195.4
Income taxes (recovery):					
Current		**39.8**	42.9	**85.4**	102.7
Deferred		**4.5**	(14.7)	**(3.2)**	(35.3)
		44.3	28.2	**82.2**	67.4
Income from continuing operations		**138.4**	52.6	**227.8**	128.0
Income from discontinued operations	18	**-**	1.1	**97.5**	1.8
Net income		**$ 138.4**	$ 53.7	**$ 325.3**	$ 129.8
Income (loss) from continuing operations attributable to					
Shareholders		**$ 140.2**	$ 41.0	**$ 231.7**	$ 97.6
Non-controlling interests		**(1.8)**	11.6	**(3.9)**	30.4
Net income (loss) attributable to					
Shareholders		**$ 140.2**	$ 42.0	**$ 329.2**	$ 99.1
Non-controlling interests		**(1.8)**	11.7	**(3.9)**	30.7
Earnings per share attributable to shareholders	13				
Basic:					
From continuing operations		**$ 0.55**	$ 0.17	**$ 0.91**	$ 0.41
From discontinued operations		**-**	0.01	**0.38**	0.01
Net income		**0.55**	0.18	**1.29**	0.42
Diluted:					
From continuing operations		**$ 0.47**	$ 0.17	**$ 0.88**	$ 0.40
From discontinued operations		**-**	0.01	**0.37**	0.01
Net income		**0.47**	0.18	**1.25**	0.41
Weighted average number of shares outstanding (in millions)		**255.9**	233.5	**255.9**	234.7
Weighted average number of diluted shares (in millions)		**262.1**	239.4	**262.1**	240.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended June 30		Six months ended June 30	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Income from continuing operations	**$ 138.4**	$ 52.6	**$ 227.8**	$ 128.0
Other comprehensive income (loss):				
Items that may be reclassified to income:				
Cash flow hedges:				
Gain (loss) on valuation of derivative financial instruments	**49.5**	(1.3)	**30.2**	(44.4)
Deferred income taxes	**(4.7)**	(1.7)	**1.8**	2.1
	44.8	(3.0)	**32.0**	(42.3)
Comprehensive income from continuing operations	**183.2**	49.6	**259.8**	85.7
Income from discontinued operations	**-**	1.1	**97.5**	1.8
Comprehensive income	**$ 183.2**	$ 50.7	**$ 357.3**	$ 87.5
Comprehensive income (loss) from continuing operations attributable to				
Shareholders	**$ 185.0**	$ 38.3	**$ 263.7**	$ 62.9
Non-controlling interests	**(1.8)**	11.3	**(3.9)**	22.8
Comprehensive income (loss) attributable to				
Shareholders	**$ 185.0**	$ 39.3	**$ 361.2**	$ 64.4
Non-controlling interests	**(1.8)**	11.4	**(3.9)**	23.1

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 854.4**	**$ 190.1**	**$ 41.3**	**$ (28.9)**	**$ 1,056.9**
Employee costs	**95.9**	**59.9**	**9.9**	**6.5**	**172.2**
Purchase of goods and services	**308.5**	**124.5**	**32.9**	**(36.2)**	**429.7**
Adjusted EBITDA[1]	**450.0**	**5.7**	**(1.5)**	**0.8**	**455.0**
Depreciation and amortization					**188.6**
Financial expenses					**82.8**
Gain on valuation and translation of financial instruments					**(16.4)**
Restructuring of operations and other items					**17.3**
Income before income taxes					**$ 182.7**
Additions to property, plant and equipment	**$ 111.2**	**$ 9.9**	**$ 0.5**	**$ 1.2**	**$ 122.8**
Additions to intangible assets	**296.5**	**1.1**	**1.1**	**0.3**	**299.0**

Three months ended June 30, 2018
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 842.4	$ 186.5	$ 36.9	$ (27.1)	$ 1,038.7
Employee costs	97.6	62.9	9.8	12.1	182.4
Purchase of goods and services	315.0	123.1	27.7	(35.4)	430.4
Adjusted EBITDA[1]	429.8	0.5	(0.6)	(3.8)	425.9
Depreciation and amortization					187.2
Financial expenses					80.3
Loss on valuation and translation of financial instruments					75.6
Restructuring of operations and other items					2.0
Income before income taxes					$ 80.8
Additions to property, plant and equipment	$ 121.7	$ 5.5	$ 0.2	$ 5.1	$ 132.5
Additions to intangible assets	36.6	1.0	0.8	0.2	38.6

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 1,695.1**	**$ 362.8**	**$ 81.7**	**$ (55.4)**	**$ 2,084.2**
Employee costs	**199.6**	**117.4**	**19.6**	**17.4**	**354.0**
Purchase of goods and services	**622.5**	**238.5**	**64.3**	**(70.8)**	**854.5**
Adjusted EBITDA[1]	**873.0**	**6.9**	**(2.2)**	**(2.0)**	**875.7**
Depreciation and amortization					**377.1**
Financial expenses					**164.9**
Gain on valuation and translation of financial instruments					**(2.1)**
Restructuring of operations and other items					**25.8**
Income before income taxes					**$ 310.0**
Additions to property, plant and equipment	**$ 243.8**	**$ 16.6**	**$ 1.0**	**$ 1.2**	**$ 262.6**
Additions to intangible assets	**345.1**	**2.7**	**2.1**	**0.3**	**350.2**

Six months ended June 30, 2018
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 1,661.1	$ 359.7	$ 74.1	$ (54.2)	$ 2,040.7
Employee costs	199.8	122.2	19.5	20.9	362.4
Purchase of goods and services	614.3	236.9	55.9	(70.6)	836.5
Adjusted EBITDA[1]	847.0	0.6	(1.3)	(4.5)	841.8
Depreciation and amortization					373.9
Financial expenses					158.8
Loss on valuation and translation of financial instruments					105.2
Restructuring of operations and other items					8.5
Income before income taxes					$ 195.4
Additions to property, plant and equipment	$ 260.6	$ 10.5	$ 0.4	$ 5.5	$ 277.0
Additions to intangible assets	91.6	2.5	1.8	(0.4)	95.5

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 14)	(note 14)		(note 16)		
Balance as of December 31, 2017 as previously reported	$ 313.9	$ 3.5	$ 601.9	$ (50.7)	$ 540.4	$ 1,409.0
Changes in accounting policies (note 2)	-	-	(7.2)	-	(4.8)	(12.0)
Balance as of December 31, 2017, as restated	313.9	3.5	594.7	(50.7)	535.6	1,397.0
Net income	-	-	99.1	-	30.7	129.8
Other comprehensive loss	-	-	-	(34.7)	(7.6)	(42.3)
Issuance of Class B Shares	1.3	1.2	-	-	-	2.5
Dividends or distributions	-	-	(19.3)	-	(9.4)	(28.7)
Repurchase of Class B Shares	(9.4)	-	(108.6)	-	-	(118.0)
Non-controlling interests acquisition (note 9)	-	-	(1,202.4)	(19.2)	(468.4)	(1,690.0)
Balance as of June 30, 2018	305.8	4.7	(636.5)	(104.6)	80.9	(349.7)
Net income	-	-	304.6	-	7.4	312.0
Other comprehensive income	-	-	-	21.9	0.2	22.1
Issuance of Class B Shares	784.8	-	-	-	-	784.8
Dividends or distributions	-	-	(27.0)	-	-	(27.0)
Repurchase of Class B Shares	(24.7)	-	(149.0)	-	-	(173.7)
Balance as of December 31, 2018	1,065.9	4.7	(507.9)	(82.7)	88.5	568.5
Net income (loss)	-	-	329.2	-	(3.9)	325.3
Other comprehensive income	-	-	-	32.0	-	32.0
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends or distributions	-	-	(42.9)	-	-	(42.9)
Repurchase of Class B Shares	(7.8)	-	(31.7)	-	-	(39.5)
Balance as of June 30, 2019	**$ 1,060.8**	**$ 7.7**	**$ (253.3)**	**$ (50.7)**	**$ 84.6**	**$ 849.1**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended June 30 2019	Three months ended June 30 2018 (restated, note 2)	Six months ended June 30 2019	Six months ended June 30 2018 (restated, note 2)
Cash flows related to operating activities					
Income from continuing operations		**$ 138.4**	$ 52.6	**$ 227.8**	$ 128.0
Adjustments for:					
Depreciation of property, plant and equipment		**150.7**	152.9	**301.8**	304.4
Amortization of intangible assets		**28.8**	25.2	**57.4**	51.4
Amortization of right-of-use assets		**9.1**	9.1	**17.9**	18.1
(Gain) loss on valuation and translation of financial instruments	6	**(16.4)**	75.6	**(2.1)**	105.2
Impairment of assets	7	**15.3**	-	**18.8**	-
Amortization of financing costs and long-term debt discount	5	**2.0**	1.7	**4.0**	3.5
Deferred income taxes		**4.5**	(14.7)	**(3.2)**	(35.3)
Other		**(0.4)**	(1.0)	**(2.1)**	(2.1)
		332.0	301.4	**620.3**	573.2
Net change in non-cash balances related to operating activities		**(42.8)**	33.0	**(150.6)**	62.1
Cash flows provided by continuing operating activities		**289.2**	334.4	**469.7**	635.3
Cash flows related to investing activities					
Business acquisitions	10	**(11.1)**	1.3	**(34.6)**	(1.4)
Business disposals	18	**(0.9)**	-	**260.7**	-
Additions to property, plant and equipment		**(122.8)**	(132.5)	**(262.6)**	(277.0)
Additions to intangible assets	8	**(299.0)**	(38.6)	**(350.2)**	(95.5)
Proceeds from disposals of assets		**0.1**	1.3	**2.7**	1.7
Non-controlling interests acquisition	9	**-**	(1,540.0)	**-**	(1,540.0)
Other		**(5.9)**	(0.4)	**(7.2)**	(1.0)
Cash flows used in continuing investing activities		**(439.6)**	(1,708.9)	**(391.2)**	(1,913.2)
Cash flows related to financing activities					
Net change in bank indebtedness		**(6.0)**	27.3	**(2.9)**	26.5
Net change under revolving facilities		**210.7**	557.7	**30.0**	640.5
Repayment of long-term debt		**(4.1)**	(9.1)	**(8.0)**	(12.8)
Repayment of convertible debentures	11	**-**	(71.9)	**-**	(71.9)
Repayment of lease liabilities		**(10.6)**	(10.5)	**(20.5)**	(19.8)
Settlement of hedging contracts		**(0.8)**	(0.8)	**(0.8)**	(0.8)
Issuance of Class B Shares		**-**	1.3	**2.7**	1.3
Repurchase of Class B Shares	14	**-**	(19.3)	**(39.5)**	(118.0)
Dividends		**(42.9)**	(19.3)	**(42.9)**	(19.3)
Dividends or distributions paid to non-controlling interests		**-**	(4.7)	**-**	(9.4)
Cash flows provided by (used in) continuing financing activities		**146.3**	450.7	**(81.9)**	416.3
Net change in cash and cash equivalents from continuing operations		**(4.1)**	(923.8)	**(3.4)**	(861.6)
Cash flows provided by (used in) discontinued operations	18	**1.6**	2.7	**(0.7)**	4.9
Cash and cash equivalents at beginning of period		**19.7**	929.3	**21.3**	864.9
Cash and cash equivalents at end of period		**$ 17.2**	$ 8.2	**$ 17.2**	$ 8.2
Cash and cash equivalents consist of					
Cash		**$ 5.7**	$ 7.8	**$ 5.7**	$ 7.8
Cash equivalents		**11.5**	0.4	**11.5**	0.4
		$ 17.2	$ 8.2	**$ 17.2**	$ 8.2
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 110.7**	$ 112.6	**$ 157.8**	$ 157.0
Cash income tax payments (net of refunds)		**42.1**	2.8	**180.8**	17.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2019	December 31 2018 (restated, note 2)	December 31 2017 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 17.2**	$ 21.0	$ 864.9
Accounts receivable		**545.0**	553.8	543.4
Contract assets		**150.0**	144.4	132.8
Income taxes		**13.7**	4.8	29.3
Inventories		**192.1**	186.3	188.1
Other current assets		**140.0**	118.3	117.6
Assets held for sale	18	**-**	95.0	-
		1,058.0	1,123.6	1,876.1
Non-current assets				
Property, plant and equipment		**3,391.4**	3,467.3	3,610.1
Intangible assets	8	**1,423.6**	1,135.3	983.1
Goodwill		**2,696.6**	2,678.3	2,695.8
Right-of-use assets		**115.0**	112.6	133.5
Derivative financial instruments		**756.1**	887.0	591.8
Deferred income taxes		**31.3**	51.8	33.2
Other assets		**211.2**	201.6	185.1
		8,625.2	8,533.9	8,232.6
Total assets		**$ 9,683.2**	$ 9,657.5	$ 10,108.7
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 21.4**	$ 24.3	$ 0.8
Accounts payable and accrued charges		**742.6**	832.0	738.7
Provisions		**25.1**	32.0	24.0
Deferred revenue		**348.4**	340.7	346.8
Income taxes		**34.1**	119.2	13.3
Convertible debentures		**-**	-	450.0
Embedded derivatives related to convertible debentures		**-**	-	442.2
Current portion of long-term debt	12	**72.0**	57.9	20.4
Current portion of lease liabilities		**34.4**	36.0	39.8
Liabilities held for sale	18	**-**	6.6	-
		1,278.0	1,448.7	2,076.0
Non-current liabilities				
Long-term debt	12	**6,209.9**	6,370.3	5,516.2
Derivative financial instruments		**11.0**	-	34.1
Convertible debentures		**150.0**	150.0	-
Lease liabilities		**109.6**	108.4	128.1
Deferred income taxes		**773.8**	775.9	744.9
Other liabilities		**301.8**	235.7	212.4
		7,556.1	7,640.3	6,635.7
Equity				
Capital stock	14	**1,060.8**	1,065.9	313.9
Contributed surplus		**7.7**	4.7	3.5
(Deficit) retained earnings		**(253.3)**	(507.9)	594.7
Accumulated other comprehensive loss	16	**(50.7)**	(82.7)	(50.7)
Equity attributable to shareholders		**764.5**	480.0	861.4
Non-controlling interests		**84.6**	88.5	535.6
		849.1	568.5	1,397.0
Contingencies	19			
Subsequent event	20			
Total liabilities and equity		**$ 9,683.2**	$ 9,657.5	$ 10,108.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media") since June 22, 2018. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2018 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 7, 2019.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2019.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. CHANGES IN ACCOUNTING POLICIES

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended June 30, 2018	Six months ended June 30, 2018
Purchase of goods and services	$ (11.7)	$ (22.8)
Depreciation and amortization	8.3	16.4
Financial expenses	2.2	4.5
Deferred income tax expense	0.3	0.5
Net income and comprehensive income	$ 0.9	$ 1.4
Net income and comprehensive income attributable to:		
Shareholders	$ 0.7	$ 1.1
Non-controlling interests	0.2	0.3
Earnings per share attributable to shareholders	$ –	$ –

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

2. CHANGES IN ACCOUNTING POLICIES (continued)

(i) IFRS 16 – *Leases* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interests	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. REVENUES

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
Telecommunications:				
Internet	**$ 278.7**	$ 271.6	**$ 552.3**	$ 533.2
Cable television	**247.5**	251.4	**492.7**	500.1
Mobile telephony	**146.4**	130.8	**287.8**	256.6
Cable telephony	**85.7**	92.6	**173.0**	187.8
Equipment sales	**51.4**	54.0	**100.6**	99.5
Other	**44.7**	42.0	**88.7**	83.9
Media:				
Advertising	**92.6**	95.3	**176.5**	181.7
Subscription	**53.0**	50.4	**103.8**	100.5
Other	**44.5**	40.8	**82.5**	77.5
Sports and Entertainment	**41.3**	36.9	**81.7**	74.1
Inter-segments	**(28.9)**	(27.1)	**(55.4)**	(54.2)
	$ 1,056.9	$ 1,038.7	**$ 2,084.2**	$ 2,040.7

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Employee costs	**$ 229.1**	$ 233.2	**$ 462.1**	$ 460.7
Less employee costs capitalized to property, plant and equipment and intangible assets	**(56.9)**	(50.8)	**(108.1)**	(98.3)
	172.2	182.4	**354.0**	362.4
Purchase of goods and services:				
Royalties, rights and creation costs	**183.5**	183.1	**352.8**	355.8
Cost of products sold	**87.4**	87.8	**180.4**	165.2
Service contracts	**36.4**	38.8	**73.9**	78.1
Marketing, circulation and distribution expenses	**23.0**	26.4	**46.2**	49.0
Other	**99.4**	94.3	**201.2**	188.4
	429.7	430.4	**854.5**	836.5
	$ 601.9	$ 612.8	**$ 1,208.5**	$ 1,198.9

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Interest on long-term debt and on debentures	**$ 77.1**	$ 77.4	**$ 154.6**	$ 153.8
Amortization of financing costs and long-term debt discount	**2.0**	1.7	**4.0**	3.5
Interest on lease liabilities	**2.1**	2.2	**4.0**	4.5
Interest on net defined benefit liability	**1.8**	1.5	**3.6**	3.1
(Gain) loss on foreign currency translation on short-term monetary items	**(0.6)**	0.3	**(1.4)**	0.7
Other	**0.4**	(2.8)	**0.1**	(6.8)
	$ 82.8	$ 80.3	**$ 164.9**	$ 158.8

6. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
(Gain) loss on embedded derivatives related to convertible debentures	**$ (16.4)**	$ 76.3	**$ (2.8)**	$ 104.5
Other	**–**	(0.7)	**0.7**	0.7
	$ (16.4)	$ 75.6	**$ (2.1)**	$ 105.2

7. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2019, net charges of $2.0 million and $7.0 million were recorded relating mainly to various cost reduction initiatives across the Corporation ($2.0 million and $8.5 million in 2018). Impairment charges of $15.3 million and $18.8 million were also recorded as a result of restructuring initiatives during these same periods (none in 2018).

8. SPECTRUM LICENCES

On April 10, 2019, Videotron Ltd. ("Videotron") acquired ten 600 MHz spectrum licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

9. NON-CONTROLLING INTERESTS ACQUISITIONS

During the second quarter of 2018, the Corporation increased its interest in Quebecor Media from 81.5% to 100.0% as a result of the following transactions:

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), for a total aggregate purchase price of $1.54 billion, paid in cash. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction;
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 11).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,221.6 million of the purchase price over the carrying value of non-controlling interests of $468.4 million acquired was recorded as a $1,202.4 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

10. BUSINESS ACQUISITIONS

On February 13, 2019, TVA Group Inc. ("TVA Group") acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An estimated amount of $1.9 million relating to certain post-closing adjustments is payable as of June 30, 2019. The purchase price allocation was accounted for on a preliminary basis and will be finalized by the end of the year. The acquired assets consist mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An estimated amount of $0.9 million relating to certain post-closing adjustment is receivable as of June 30, 2019. The purchase price is also subject to adjustments relating to the achievement of future conditions. The purchase price allocation was accounted for on a preliminary basis and will be finalized by the end of the year. The acquired assets consist mainly of intangible assets and goodwill.

11. CONVERTIBLE DEBENTURES

During the six-month period ended June 30, 2018, the Corporation sent notices of redemption of convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid upon redemption of these debentures.

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of new convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B Subordinate Voting Shares ("Class B Shares") in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. LONG TERM DEBT

Components of long-term debt are as follows:

	June 30, 2019	December 31, 2018
Long-term debt	**$ 6,304.9**	$ 6,461.7
Change in fair value related to hedged interest rate risk	**9.7**	2.5
Financing fees, net of amortization	**(32.7)**	(36.0)
	6,281.9	6,428.2
Less current portion	**(72.0)**	(57.9)
	$ 6,209.9	$ 6,370.3

On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain conditions and terms of the facility.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended June 30		Six months ended June 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Income from continuing operations attributable to shareholders	**$ 140.2**	$ 41.0	**$ 231.7**	$ 97.6
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(15.5)**	0.7	**(0.9)**	0.5
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 124.7**	$ 41.7	**$ 230.8**	$ 98.1
Net income attributable to shareholders	**$ 140.2**	$ 42.0	**$ 329.2**	$ 99.1
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(15.5)**	0.7	**(0.9)**	0.5
Net income attributable to shareholders, adjusted for dilution effect	**$ 124.7**	$ 42.7	**$ 328.3**	$ 99.6
Weighted average number of shares outstanding (in millions)	**255.9**	233.5	**255.9**	234.7
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**6.2**	5.9	**6.2**	5.9
Weighted average number of diluted shares outstanding (in millions)	**262.1**	239.4	**262.1**	240.6

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		**Class B Shares**	
	Number	Amount	Number	Amount
Balance as of December 31, 2018	77,249,244	$ 8.6	179,807,353	$ 1,057.3
Class A Shares converted into Class B Shares	(2,500)	–	2,500	–
Shares purchased and cancelled	–	–	(1,319,600)	(7.8)
Shares issued upon exercise of stock options	–	–	180,000	2.7
Balance as of June 30, 2019	**77,246,744**	**$ 8.6**	**178,670,253**	**$ 1,052.2**

On August 8, 2018, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 7,800,000 Class B Shares representing approximately 5% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On August 7, 2019, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the six-month period ended June 30, 2019, the Corporation purchased and cancelled 1,319,600 Class B Shares for a total cash consideration of $39.5 million (4,909,900 Class B Shares for a total cash consideration of $118.0 million in 2018). The excess of $31.7 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of the deficit ($108.6 million decrease of retained earnings in 2018).

During the six-month period ended June 30, 2019, 180,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $2.7 million (100,000 Class B shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $3.0 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

On August 7, 2019, the Board of Directors of the Corporation declared a dividend of $0.1125 per share on Class A Shares and Class B Shares, or approximately $28.8 million, payable on September 17, 2019, to shareholders of record at the close of business on August 23, 2019.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the six-month period ended June 30, 2019:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2018	1,982,892	$ 21.60
Granted	1,403,250	31.61
Exercised	(180,000)	15.12
Cancelled	(70,000)	26.52
As of June 30, 2019	**3,136,142**	**$ 26.34**
Vested options as of June 30, 2019	**500,000**	**$ 11.11**
Quebecor Media		
As of December 31, 2018	318,400	$ 64.61
Exercised	(108,450)	61.60
Cancelled	(38,200)	69.85
As of June 30, 2019	**171,750**	**$ 65,35**
Vested options as of June 30, 2019	**124,250**	**$ 63.92**
TVA Group		
As of December 31, 2018	340,000	$ 2.99
Granted	290,000	2.05
Cancelled	(45,000)	4.77
As of June 30, 2019	**585,000**	**$ 2.39**
Vested options as of June 30, 2019	**28,000**	**$ 6.85**

During the three-month period ended June 30, 2018, 100,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor. During the three-month period ended June 30, 2019, 41,500 stock options of Quebecor Media were exercised for a cash consideration of $2.1 million (64,477 stock options for $2.2 million in 2018). During the six-month period ended June 30, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 14) (100,000 Class B Shares in 2018) and 108,450 stock options of Quebecor Media were exercised for a cash consideration of $5.5 million (102,977 stock options for $3.3 million in 2018).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2019, 162,126 DSUs based on Quebecor Class B Shares, 240,450 DSUs based on TVA Group Class B Shares, 117,866 PSUs based on Quebecor Class B Shares and 135,935 PSUs based on TVA Group Class B Shares were outstanding under these plans. During the first quarter of 2019, a cash consideration of $5.4 million was paid upon PSUs redemption.

Stock-based compensation expense

For the three-month period ended June 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $0.2 million ($6.9 million in 2018). For the six-month period ended June 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $6.7 million ($11.1 million in 2018).

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2017	$ (11.7)	$ (39.0)	$ (50.7)
Other comprehensive loss	(34.7)	–	(34.7)
Non-controlling interest acquisition (note 9)	(10.4)	(8.8)	(19.2)
Balance as of June 30, 2018	(56.8)	(47.8)	(104.6)
Other comprehensive income (loss)	26.1	(4.2)	21.9
Balance as of December 31, 2018	(30.7)	(52.0)	(82.7)
Other comprehensive income	32.0	–	32.0
Balance as of June 30, 2019	**$ 1.3**	**$ (52.0)**	**$ (50.7)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 3/4-year period.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2019 and December 31, 2018 are as follows:

	June 30, 2019		December 31, 2018	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,304.9)**	**$ (6,614.7)**	$ (6,461.7)	$ (6,444.9)
Convertible debentures[2]	**(153.3)**	**(153.3)**	(150.6)	(150.6)
Derivative financial instruments				
Foreign exchange forward contracts	**(2.1)**	**(2.1)**	6.7	6.7
Cross-currency interest rate swaps	**747.2**	**747.2**	880.3	880.3

[1] The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

[2] The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

18. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron in the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments.

19. CONTINGENCIES

In the context of commercial disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of these proceedings, management of the Corporation is in the opinion that the outcome should not have a material adverse effect on the Corporation's results or on its financial position.

20. SUBSEQUENT EVENT

On July 15, 2019, Quebecor Media prepaid the balance outstanding under its term loan “B” credit facility and settled the corresponding hedging contracts for a total cash consideration of $340.9 million.

This is Exhibit 61 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2019 and 2018

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data) (unaudited)	Note	Three months ended March 31 2019	 2018 (restated, note 2)
Revenues	3	**$ 1,027.3**	$ 1,002.0
Employee costs	4	**181.8**	180.0
Purchase of goods and services	4	**424.8**	406.1
Depreciation and amortization		**188.5**	186.7
Financial expenses	5	**82.1**	78.5
Loss on valuation and translation of financial instruments	6	**14.3**	29.6
Restructuring of operations and other items	7	**8.5**	6.5
Income before income taxes		**127.3**	114.6
Income taxes (recovery):			
Current		**45.6**	59.8
Deferred		**(7.7)**	(20.6)
		37.9	39.2
Income from continuing operations		**89.4**	75.4
Income from discontinued operations	15	**97.5**	0.7
Net income		**$ 186.9**	$ 76.1
Income from continuing operations attributable to			
Shareholders		**$ 91.5**	$ 56.6
Non-controlling interests		**(2.1)**	18.8
Net income attributable to			
Shareholders		**$ 189.0**	$ 57.1
Non-controlling interests		**(2.1)**	19.0
Earnings per share attributable to shareholders	10		
Basic and diluted:			
From continuing operations		**$ 0.36**	$ 0.24
From discontinued operations		**0.38**	-
Net income		**0.74**	0.24
Weighted average number of shares outstanding (in millions)		**256.0**	235.9
Weighted average number of diluted shares (in millions)		**256.5**	236.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Three months ended March 31	
	2019	2018 (restated, note 2)
Income from continuing operations	**$ 89.4**	$ 75.4
Other comprehensive loss from continuing operations		
Items that may be reclassified to income:		
Cash flow hedges:		
Loss on valuation of derivative financial instruments	**(19.3)**	(43.1)
Deferred income taxes	**6.5**	3.8
	(12.8)	(39.3)
Comprehensive income from continuing operations	**76.6**	36.1
Income from discontinued operations	**97.5**	0.7
Comprehensive income	**$ 174.1**	$ 36.8
Comprehensive income from continuing operations attributable to		
Shareholders	**$ 78.7**	$ 24.6
Non-controlling interests	**(2.1)**	11.5
Comprehensive income attributable to		
Shareholders	**$ 176.2**	$ 25.1
Non-controlling interests	**(2.1)**	11.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2019

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 840.7**	**$ 172.7**	**$ 40.4**	**$ (26.5)**	**$ 1,027.3**
Employee costs	**103.7**	**57.5**	**9.7**	**10.9**	**181.8**
Purchase of goods and services	**314.0**	**114.0**	**31.4**	**(34.6)**	**424.8**
Adjusted EBITDA[1]	**423.0**	**1.2**	**(0.7)**	**(2.8)**	**420.7**
Depreciation and amortization					**188.5**
Financial expenses					**82.1**
Loss on valuation and translation of financial instruments					**14.3**
Restructuring of operations and other items					**8.5**
Income before income taxes					**$ 127.3**
Additions to property, plant and equipment	**$ 132.6**	**$ 6.7**	**$ 0.5**	**$ -**	**$ 139.8**
Additions to intangible assets	**48.6**	**1.6**	**1.0**	**-**	**51.2**

Three months ended March 31, 2018
(restated, note 2)

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 818.7	$ 173.2	$ 37.2	$ (27.1)	$ 1,002.0
Employee costs	102.2	59.3	9.7	8.8	180.0
Purchase of goods and services	299.3	113.8	28.2	(35.2)	406.1
Adjusted EBITDA[1]	417.2	0.1	(0.7)	(0.7)	415.9
Depreciation and amortization					186.7
Financial expenses					78.5
Loss on valuation and translation of financial instruments					29.6
Restructuring of operations and other items					6.5
Income before income taxes					$ 114.6
Additions to property, plant and equipment	$ 138.9	$ 5.0	$ 0.2	$ 0.4	$ 144.5
Additions to intangible assets	55.0	1.5	1.0	(0.6)	56.9

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
Balance as of December 31, 2017 as previously reported	$ 313.9	$ 3.5	$ 601.9	$ (50.7)	$ 540.4	$ 1,409.0
Changes in accounting policies (note 2)			(7.2)		(4.8)	(12.0)
Balance as of December 31, 2017, as restated	313.9	3.5	594.7	(50.7)	535.6	1,397.0
Net income	-	-	57.1	-	19.0	76.1
Other comprehensive loss	-	-	-	(32.0)	(7.3)	(39.3)
Dividends or distributions	-	-	(6.6)	-	(4.7)	(11.3)
Repurchase of Class B Shares	(7.9)	-	(90.8)	-	-	(98.7)
Balance as of March 31, 2018	306.0	3.5	554.4	(82.7)	542.6	1,323.8
Net income	-	-	346.6	-	19.1	365.7
Other comprehensive income (loss)	-	-	-	19.2	(0.1)	19.1
Issuance of Class B Shares	786.1	1.2	-	-	-	787.3
Dividends or distributions	-	-	(39.7)	-	(4.7)	(44.4)
Repurchase of Class B Shares	(26.2)	-	(166.8)	-	-	(193.0)
Non-controlling interests acquisition	-	-	(1,202.4)	(19.2)	(468.4)	(1,690.0)
Balance as of December 31, 2018	1,065.9	4.7	(507.9)	(82.7)	88.5	568.5
Net income (loss)	-	-	189.0	-	(2.1)	186.9
Other comprehensive loss	-	-	-	(12.8)	-	(12.8)
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends or distributions	-	-	(14.1)	-	-	(14.1)
Repurchase of Class B Shares	(7.8)	-	(31.7)	-	-	(39.5)
Balance as of March 31, 2019	**$ 1,060.8**	**$ 7.7**	**$ (364.7)**	**$ (95.5)**	**$ 86.4**	**$ 694.7**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended March 31 2019	 2018 (restated, note 2)
Cash flows related to operating activities			
Income from continuing operations		**$ 89.4**	$ 75.4
Adjustments for:			
Depreciation of property, plant and equipment		**151.1**	151.5
Amortization of intangible assets		**28.6**	26.2
Amortization of right-of-use assets		**8.8**	9.0
Loss on valuation and translation of financial instruments	6	**14.3**	29.6
Impairment of assets	7	**3.5**	-
Amortization of financing costs and long-term debt discount	5	**2.0**	1.8
Deferred income taxes		**(7.7)**	(20.6)
Other		**(1.7)**	(1.1)
		288.3	271.8
Net change in non-cash balances related to operating activities		**(107.8)**	29.1
Cash flows provided by continuing operating activities		**180.5**	300.9
Cash flows related to investing activities			
Business acquisitions	8	**(23.5)**	(2.7)
Business disposals	15	**261.6**	-
Additions to property, plant and equipment		**(139.8)**	(144.5)
Additions to intangible assets		**(51.2)**	(56.9)
Proceeds from disposals of assets		**2.6**	0.4
Other		**(1.3)**	(0.6)
Cash flows provided by (used in) continuing investing activities		**48.4**	(204.3)
Cash flows related to financing activities			
Net change in bank indebtedness		**3.1**	(0.8)
Net change under revolving facilities		**(180.7)**	82.8
Repayment of long-term debt		**(3.9)**	(3.7)
Repayment of lease liabilities		**(9.9)**	(9.3)
Issuance of Class B Shares		**2.7**	-
Repurchase of Class B Shares	11	**(39.5)**	(98.7)
Dividends or distributions paid to non-controlling interests		**-**	(4.7)
Cash flows used in continuing financing activities		**(228.2)**	(34.4)
Net change in cash and cash equivalents		**0.7**	62.2
Cash flows (used in) provided by discontinued operations	15	**(2.3)**	2.2
Cash and cash equivalents at beginning of period		**21.3**	864.9
Cash and cash equivalents at end of period		**$ 19.7**	$ 929.3
Cash and cash equivalents consist of			
Cash		**$ 6.5**	$ 929.0
Cash equivalents		**13.2**	0.3
		$ 19.7	$ 929.3
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 47.1**	$ 44.4
Cash income tax payments (net of refunds)		**138.7**	14.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2019	December 31 2018 (restated, note 2)	December 31 2017 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 19.7**	$ 21.0	$ 864.9
Accounts receivable		**519.5**	553.8	543.4
Contract assets		**147.1**	144.4	132.8
Income taxes		**9.5**	4.8	29.3
Inventories		**201.3**	186.3	188.1
Other current assets		**133.7**	118.3	117.6
Assets held for sale	15	**-**	95.0	-
		1,030.8	1,123.6	1,876.1
Non-current assets				
Property, plant and equipment		**3,419.0**	3,467.3	3,610.1
Intangible assets		**1,151.6**	1,135.3	983.1
Goodwill		**2,684.5**	2,678.3	2,695.8
Right-of-use assets		**108.2**	112.6	133.5
Derivative financial instruments		**779.7**	887.0	591.8
Deferred income taxes		**34.3**	51.8	33.2
Other assets		**199.9**	201.6	185.1
		8,377.2	8,533.9	8,232.6
Total assets		**$ 9,408.0**	$ 9,657.5	$ 10,108.7
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 27.4**	$ 24.3	$ 0.8
Accounts payable and accrued charges		**756.2**	832.0	738.7
Provisions		**31.6**	32.0	24.0
Deferred revenue		**349.1**	340.7	346.8
Income taxes		**30.7**	119.2	13.3
Convertible debentures		**-**	-	450.0
Embedded derivatives related to convertible debentures		**-**	-	442.2
Current portion of long-term debt	9	**68.5**	57.9	20.4
Current portion of lease liabilities		**35.7**	36.0	39.8
Liabilities held for sale	15	**-**	6.6	-
		1,299.2	1,448.7	2,076.0
Non-current liabilities				
Long-term debt	9	**6,083.0**	6,370.3	5,516.2
Derivative financial instruments		**6.7**	-	34.1
Convertible debentures		**150.0**	150.0	-
Lease liabilities		**102.9**	108.4	128.1
Deferred income taxes		**764.6**	775.9	744.9
Other liabilities		**306.9**	235.7	212.4
		7,414.1	7,640.3	6,635.7
Equity				
Capital stock	11	**1,060.8**	1,065.9	313.9
Contributed surplus		**7.7**	4.7	3.5
(Deficit) retained earnings		**(364.7)**	(507.9)	594.7
Accumulated other comprehensive loss	13	**(95.5)**	(82.7)	(50.7)
Equity attributable to shareholders		**608.3**	480.0	861.4
Non-controlling interests		**86.4**	88.5	535.6
		694.7	568.5	1,397.0
Contingencies	16			
Subsequent events	17			
Total liabilities and equity		**$ 9,408.0**	$ 9,657.5	$ 10,108.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media") since June 22, 2018. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the distribution of movies, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2018 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 8, 2019.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month period ended March 31, 2019.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. CHANGES IN ACCOUNTING POLICIES

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are also now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retroactive adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)		Three months ended March 31, 2018
Purchase of goods and services	$	(11.1)
Depreciation and amortization		8.1
Financial expenses		2.3
Deferred income tax expense		0.2
Net income and comprehensive income	$	0.5
Net income and comprehensive income attributable to :		
Shareholders	$	0.4
Non-controlling interests		0.1
Earnings per share attributable to shareholders	$	–

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. CHANGES IN ACCOUNTING POLICIES (continued)

(i) IFRS 16 – *Leases* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Plant- property and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interest	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. REVENUES

	Three months ended March 31	
	2019	2018
Telecommunications:		
Internet	**$ 273.6**	$ 261.6
Cable television	**245.2**	248.7
Mobile telephony	**141.4**	125.8
Cable telephony	**87.3**	95.2
Equipment sales	**49.2**	45.5
Other	**44.0**	41.9
Media:		
Advertising	**83.9**	86.4
Subscription	**50.8**	50.1
Other	**38.0**	36.7
Sports and Entertainment	**40.4**	37.2
Inter-segments	**(26.5)**	(27.1)
	$ 1,027.3	$ 1,002.0

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2019	2018
		(restated, note 2)
Employee costs	**$ 233.0**	$ 227.5
Less employee costs capitalized to property, plant and equipment and intangible assets	**(51.2)**	(47.5)
	181.8	180.0
Purchase of goods and services:		
Royalties, rights and creation costs	**169.3**	172.7
Cost of products sold	**93.0**	77.5
Service contracts	**37.5**	39.3
Marketing, circulation and distribution expenses	**23.2**	22.6
Other	**101.8**	94.0
	424.8	406.1
	$ 606.6	$ 586.1

QUEBECOR INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. FINANCIAL EXPENSES

	Three months ended March 31	
	2019	2018
		(restated, note 2)
Interest on long-term debt and on debentures	**$ 77.5**	$ 76.4
Amortization of financing costs and long-term debt discount	**2.0**	1.8
Interest on lease liabilities	**1.9**	2.3
Interest on net defined benefit liability	**1.8**	1.5
(Gain) loss on foreign currency translation on short-term monetary items	**(0.8)**	0.4
Other	**(0.3)**	(3.9)
	$ 82.1	$ 78.5

6. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2019	2018
Loss on embedded derivatives related to convertible debentures	**$ 13.6**	$ 28.2
Other	**0.7**	1.4
	$ 14.3	$ 29.6

7. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2019, a net charge of $5.0 million was recorded relating mainly to various cost reduction initiatives across the Corporation ($6.5 million in 2018). An impairment charge of $3.5 million was also recorded as a result of restructuring initiatives (none in 2018).

8. BUSINESS ACQUISITIONS

On February 13, 2019, TVA Group inc. ("TVA Group") acquired the companies in the Serdy Média Inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An estimated amount of $1.9 million relating to certain post-closing adjustments is also payable as of March 31, 2019. The purchase price allocation was accounted for on a preliminary basis and will be finalized by the end of the year. The acquired assets consist mainly of productions in progress, intangible assets and goodwill.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. LONG TERM DEBT

Components of long-term debt are as follows:

	March 31, 2019	December 31, 2018
Long-term debt	**$ 6,181.1**	$ 6,461.7
Change in fair value related to hedged interest rate risk	**5.1**	2.5
Financing fees, net of amortization	**(34.7)**	(36.0)
	6,151.5	6,428.2
Less current portion	**(68.5)**	(57.9)
	$ 6,083.0	$ 6,370.3

On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain conditions and terms of the facility.

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended March 31	
	2019	2018
		(restated, note 2)
Income from continuing operations attributable to shareholders	**$ 91.5**	$ 56.6
Impact of assumed conversion of stock options of subsidiaries	**(0.1)**	(0.2)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 91.4**	$ 56.4
Net income attributable to shareholders	**$ 189.0**	$ 57.1
Impact of assumed conversion of stock options of subsidiaries	**(0.2)**	(0.2)
Net income attributable to shareholders, adjusted for dilution effect	**$ 188.8**	$ 56.9
Weighted average number of shares outstanding (in millions)	**256.0**	235.9
Potentially dilutive effect of stock options of the Corporation (in millions)	**0.5**	0.4
Weighted average number of diluted shares outstanding (in millions)	**256.5**	236.3

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares (“Class A Shares”) with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares (“Class B Shares”) on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2018	77,249,244	$ 8.6	179,807,353	$ 1,057.3
Class A Shares converted into Class B Shares	(2,300)	–	2,300	–
Shares purchased and cancelled	–	–	(1,319,600)	(7.8)
Shares issued upon exercise of stock options	–	–	180,000	2.7
Balance as of March 31, 2019	**77,246,944**	**$ 8.6**	**178,670,053**	**$ 1,052.2**

On August 8, 2018, the Corporation filed normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 7,800,000 Class B Shares representing approximately 5% of issued and outstanding Class B Shares as of August 1, 2018. The purchases can be made from August 15, 2018 to August 14, 2019 at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the three-month period ended March 31, 2019, the Corporation purchased and cancelled 1,319,600 Class B Shares for a total cash consideration of $39.5 million (4,125,800 Class B Shares for a total cash consideration of $98.7 million in 2018). The excess of $31.7 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of the deficit (a $90.8 million decrease of retained earnings in 2018).

During the three-month period ended March 31, 2019, 180,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $2.7 million. As a result of this transaction, contributed surplus was increased by $3.0 million and stock-based compensation liability was reduced by the same amount.

On May 8, 2019, the Board of Directors of the Corporation declared a dividend of $0.1125 per share on Class A Shares and Class B Shares, or approximately $28.8 million, payable on June 18, 2019, to shareholders of record at the close of business on May 24, 2019.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2019:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2018	1,982,892	$ 21.60
Exercised	(180,000)	15.12
Cancelled	(70,000)	26.52
As of March 31, 2019	**1,732,892**	**$ 22.08**
Vested options as of March 31, 2019	**500,000**	**$ 11.11**
Quebecor Media		
As of December 31, 2018	318,400	$ 64.61
Exercised	(66,950)	61.69
Cancelled	(36,600)	69.82
As of March 31, 2019	**214,850**	**$ 64.64**
Vested options as of March 31, 2019	**140,400**	**$ 63.27**
TVA Group		
As of December 31, 2018	340,000	$ 2.99
Cancelled	(45,000)	4.77
As of March 31, 2019	**295,000**	**$ 2.72**
Vested options as of March 31, 2019	**28,000**	**$ 6.85**

During the three-month period ended March 31, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor (note 11) (none in 2018) and 66,950 stock options of Quebecor Media were exercised for a cash consideration of $3.3 million (38,500 stock options were exercised for $1.1 million in 2018).

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) and performance share unit (“PSU”) plans are based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2019, 166,364 DSUs based on Quebecor Class B Shares, 243,353 DSUs based on TVA Group Class B Shares, 117,298 PSUs based on Quebecor Class B Shares and 135,935 PSUs based on TVA Group Class B Shares were outstanding under these plans. During the first quarter of 2019, a cash consideration of $5.4 million was paid for the PSUs redeemed.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended March 31, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of 6.5 million ($4.2 million in 2018).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2017	$ (11.7)	$ (39.0)	$ (50.7)
Other comprehensive loss	(32.0)	–	(32.0)
Balance as of March 31, 2018	(43.7)	(39.0)	(82.7)
Other comprehensive income (loss)	23.4	(4.2)	19.2
Non-controlling interests acquisition	(10.4)	(8.8)	(19.2)
Balance as of December 31, 2018	(30.7)	(52.0)	(82.7)
Other comprehensive loss	(12.8)	–	(12.8)
Balance as of March 31, 2019	**$ (43.5)**	**$ (52.0)**	**$ (95.5)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8-year period.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair value measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019		December 31, 2018	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,181.1)**	**$ (6,388.0)**	$ (6,461.7)	$ (6,444.9)
Convertible debentures[2]	**(164.5)**	**(164.5)**	(150.6)	(150.6)
Derivative financial instruments				
Foreign exchange forward contracts	**1.4**	**1.4**	6.7	6.7
Cross-currency interest rate swaps	**771.6**	**771.6**	880.3	880.3

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

15. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron Ltd. ("Videotron") sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment is also payable by Videotron as of March 31, 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. The amount deferred is revaluated on a quarterly basis and any change is recorded in income from discontinued operations.

16. CONTINGENCIES

In the context of commercial disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of these proceedings, management of the Corporation is in the opinion that the outcome should not have a material adverse effect on the Corporation's results or on its financial position.

17. SUBSEQUENT EVENTS

On April 1, 2019, TVA Group acquired the Incendo Media Inc. group, a Montreal-based producer and distributor of television programs for international markets, for a cash consideration of $12.0 million and a balance payable of $7.5 million. The purchase price is also subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of production rights, intangible assets and goodwill.

On April 10, 2019, Videotron acquired ten 600 MHz spectrum licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $256.0 million.

This is Exhibit 62 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2019 and 2018

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended September 30 2019	Three months ended September 30 2018 (restated, note 2)	Nine months ended September 30 2019	Nine months ended September 30 2018 (restated, note 2)
Revenues	3	**$ 1,073.4**	$ 1,053.2	**$ 3,157.6**	$ 3,093.9
Employee costs	4	**162.6**	163.7	**516.6**	526.1
Purchase of goods and services	4	**401.5**	415.5	**1,256.0**	1,252.0
Depreciation and amortization		**187.0**	188.8	**564.1**	562.7
Financial expenses	5	**81.2**	86.8	**246.1**	245.6
(Gain) loss on valuation and translation of financial instruments	6	**(6.0)**	(54.5)	**(8.1)**	50.7
Restructuring of operations, litigation and other items	7	**1.2**	13.6	**27.0**	22.1
Income before income taxes		**245.9**	239.3	**555.9**	434.7
Income taxes (recovery):					
Current		**29.7**	50.5	**115.1**	153.2
Deferred		**33.5**	(1.7)	**30.3**	(37.0)
		63.2	48.8	**145.4**	116.2
Income from continuing operations		**182.7**	190.5	**410.5**	318.5
Income from discontinued operations	18	**-**	0.9	**97.5**	2.7
Net income		**$ 182.7**	$ 191.4	**$ 508.0**	$ 321.2
Income from continuing operations attributable to					
Shareholders		**$ 178.5**	$ 186.2	**$ 410.2**	$ 283.8
Non-controlling interests		**4.2**	4.3	**0.3**	34.7
Net income attributable to					
Shareholders		**$ 178.5**	$ 187.1	**$ 507.7**	$ 286.2
Non-controlling interests		**4.2**	4.3	**0.3**	35.0
Earnings per share attributable to shareholders	13				
Basic:					
From continuing operations		**$ 0.70**	$ 0.80	**$ 1.60**	$ 1.21
From discontinued operations		**-**	-	**0.38**	0.01
Net income		**0.70**	0.80	**1.98**	1.22
Diluted:					
From continuing operations		**$ 0.67**	$ 0.51	**$ 1.57**	$ 1.18
From discontinued operations		**-**	-	**0.37**	0.01
Net income		**0.67**	0.51	**1.94**	1.19
Weighted average number of shares outstanding (in millions)		**255.6**	232.8	**255.8**	234.1
Weighted average number of diluted shares (in millions)		**261.7**	268.8	**261.9**	240.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended September 30		Nine months ended September 30	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Income from continuing operations	**$ 182.7**	$ 190.5	**$ 410.5**	$ 318.5
Other comprehensive income (loss) from continuing operations:				
Items that may be reclassified to income:				
Cash flow hedges:				
Gain (loss) on valuation of derivative financial instruments	**41.4**	(0.4)	**71.6**	(44.8)
Deferred income taxes	**(6.5)**	3.0	**(4.7)**	5.1
Reclassification to income:				
Gain related to cash flow hedges	**(1.1)**	-	**(1.1)**	-
Deferred income taxes	**0.7**	-	**0.7**	-
	34.5	2.6	**66.5**	(39.7)
Comprehensive income from continuing operations	**217.2**	193.1	**477.0**	278.8
Income from discontinued operations	**-**	0.9	**97.5**	2.7
Comprehensive income	**$ 217.2**	$ 194.0	**$ 574.5**	$ 281.5
Comprehensive income from continuing operations attributable to				
Shareholders	**$ 213.0**	$ 188.8	**$ 476.7**	$ 251.7
Non-controlling interests	**4.2**	4.3	**0.3**	27.1
Comprehensive income attributable to				
Shareholders	**$ 213.0**	$ 189.7	**$ 574.2**	$ 254.1
Non-controlling interests	**4.2**	4.3	**0.3**	27.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 876.7**	**$ 167.2**	**$ 55.8**	**$ (26.3)**	**$ 1,073.4**
Employee costs	**92.2**	**53.4**	**9.5**	**7.5**	**162.6**
Purchase of goods and services	**316.8**	**81.2**	**39.4**	**(35.9)**	**401.5**
Adjusted EBITDA[1]	**467.7**	**32.6**	**6.9**	**2.1**	**509.3**
Depreciation and amortization					**187.0**
Financial expenses					**81.2**
Gain on valuation and translation of financial instruments					**(6.0)**
Restructuring of operations, litigation and other items					**1.2**
Income before income taxes					**$ 245.9**
Additions to property, plant and equipment	**$ 117.4**	**$ 5.0**	**$ 0.1**	**$ 0.1**	**$ 122.6**
Additions to intangible assets	**57.2**	**8.5**	**0.8**	**(0.1)**	**66.4**

Three months ended September 30, 2018
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 854.8	$ 170.9	$ 54.5	$ (27.0)	$ 1,053.2
Employee costs	91.9	54.7	10.0	7.1	163.7
Purchase of goods and services	329.7	85.3	36.0	(35.5)	415.5
Adjusted EBITDA[1]	433.2	30.9	8.5	1.4	474.0
Depreciation and amortization					188.8
Financial expenses					86.8
Gain on valuation and translation of financial instruments					(54.5)
Restructuring of operations, litigation and other items					13.6
Income before income taxes					$ 239.3
Additions to property, plant and equipment	$ 128.8	$ 8.2	$ 0.2	$ 0.7	$ 137.9
Additions to intangible assets	29.1	1.1	0.9	0.7	31.8

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 2,571.8**	**$ 530.0**	**$ 137.5**	**$ (81.7)**	**$ 3,157.6**
Employee costs	**291.8**	**170.8**	**29.1**	**24.9**	**516.6**
Purchase of goods and services	**939.3**	**319.7**	**103.7**	**(106.7)**	**1,256.0**
Adjusted EBITDA [1]	**1,340.7**	**39.5**	**4.7**	**0.1**	**1,385.0**
Depreciation and amortization					**564.1**
Financial expenses					**246.1**
Gain on valuation and translation of financial instruments					**(8.1)**
Restructuring of operations, litigation and other items					**27.0**
Income before income taxes					**$ 555.9**
Additions to property, plant and equipment	**$ 361.2**	**$ 13.7**	**$ 1.1**	**$ 1.3**	**$ 377.3**
Additions to intangible assets	**402.3**	**19.1**	**2.9**	**0.2**	**424.5**

Nine months ended September 30, 2018
(restated, note 2)

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 2,515.9	$ 530.6	$ 128.6	$ (81.2)	$ 3,093.9
Employee costs	291.7	176.9	29.5	28.0	526.1
Purchase of goods and services	944.0	322.2	91.9	(106.1)	1,252.0
Adjusted EBITDA [1]	1,280.2	31.5	7.2	(3.1)	1,315.8
Depreciation and amortization					562.7
Financial expenses					245.6
Loss on valuation and translation of financial instruments					50.7
Restructuring of operations, litigation and other items					22.1
Income before income taxes					$ 434.7
Additions to property, plant and equipment	$ 389.3	$ 18.8	$ 0.7	$ 6.1	$ 414.9
Additions to intangible assets	120.7	3.6	2.7	0.3	127.3

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations, litigation and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 14)	(note 14)		(note 16)		
Balance as of December 31, 2017, as previously reported	$ 313.9	$ 3.5	$ 601.9	$ (50.7)	$ 540.4	$ 1,409.0
Changes in accounting policies (note 2)	-	-	(7.2)	-	(4.8)	(12.0)
Balance as of December 31, 2017, as restated	313.9	3.5	594.7	(50.7)	535.6	1,397.0
Net income	-	-	286.2	-	35.0	321.2
Other comprehensive loss	-	-	-	(32.1)	(7.6)	(39.7)
Issuance of Class B Shares	1.3	1.2	-	-	-	2.5
Dividends or distributions	-	-	(32.1)	-	(9.4)	(41.5)
Repurchase of Class B Shares	(14.4)	-	(171.9)	-	-	(186.3)
Non-controlling interests acquisition (note 9)	-	-	(1,202.4)	(19.2)	(468.4)	(1,690.0)
Balance as of September 30, 2018	300.8	4.7	(525.5)	(102.0)	85.2	(236.8)
Net income	-	-	117.5	-	3.1	120.6
Other comprehensive income	-	-	-	19.3	0.2	19.5
Issuance of Class B Shares	784.8	-	-	-	-	784.8
Dividends	-	-	(14.2)	-	-	(14.2)
Repurchase of Class B Shares	(19.7)	-	(85.7)	-	-	(105.4)
Balance as of December 31, 2018	1,065.9	4.7	(507.9)	(82.7)	88.5	568.5
Net income	-	-	507.7	-	0.3	508.0
Other comprehensive income	-	-	-	66.5	-	66.5
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(71.6)	-	-	(71.6)
Repurchase of Class B Shares	(15.7)	-	(64.8)	-	-	(80.5)
Balance as of September 30, 2019	**$ 1,052.9**	**$ 7.7**	**$ (136.6)**	**$ (16.2)**	**$ 88.8**	**$ 996.6**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars) (unaudited)	Note	Three months ended September 30 2019	2018 (restated, note 2)	Nine months ended September 30 2019	2018 (restated, note 2)
Cash flows related to operating activities					
Income from continuing operations		**$ 182.7**	$ 190.5	**$ 410.5**	$ 318.5
Adjustments for:					
Depreciation of property, plant and equipment		**148.4**	153.3	**450.2**	457.7
Amortization of intangible assets		**29.7**	26.3	**87.1**	77.7
Amortization of right-of-use assets		**8.9**	9.2	**26.8**	27.3
(Gain) loss on valuation and translation of financial instruments	6	**(6.0)**	(54.5)	**(8.1)**	50.7
Impairment of assets	7	**-**	14.9	**18.8**	14.9
Amortization of financing costs and long-term debt discount	5	**2.1**	1.8	**6.1**	5.3
Deferred income taxes		**33.5**	(1.7)	**30.3**	(37.0)
Other		**0.2**	(2.7)	**(1.9)**	(4.8)
		399.5	337.1	**1,019.8**	910.3
Net change in non-cash balances related to operating activities		**(20.5)**	127.2	**(171.1)**	189.3
Cash flows provided by continuing operating activities		**379.0**	464.3	**848.7**	1,099.6
Cash flows related to investing activities					
Business acquisitions	10	**(1.0)**	(5.8)	**(35.6)**	(7.2)
Business disposals	18	**-**	-	**260.7**	-
Additions to property, plant and equipment		**(122.6)**	(137.9)	**(377.3)**	(414.9)
Additions to intangible assets	8	**(66.4)**	(31.8)	**(424.5)**	(127.3)
Proceeds from disposals of assets		**0.5**	4.7	**3.2**	6.4
Non-controlling interests acquisition	9	**-**	-	**-**	(1,540.0)
Other		**(17.8)**	(0.2)	**(25.0)**	(1.2)
Cash flows used in continuing investing activities		**(207.3)**	(171.0)	**(598.5)**	(2,084.2)
Cash flows related to financing activities					
Net change in bank indebtedness		**6.9**	(5.6)	**4.0**	20.9
Net change under revolving facilities		**251.3**	(94.2)	**281.3**	546.3
Repayment of long-term debt		**(435.4)**	(3.6)	**(443.4)**	(16.4)
Repayment of lease liabilities		**(9.4)**	(9.8)	**(29.9)**	(29.6)
Repayment of convertible debentures	11	**-**	(86.5)	**-**	(158.4)
Settlement of hedging contracts		**91.6**	-	**90.8**	(0.8)
Issuance of Class B Shares		**-**	-	**2.7**	1.3
Repurchase of Class B Shares	14	**(41.0)**	(68.3)	**(80.5)**	(186.3)
Dividends		**(28.7)**	(12.8)	**(71.6)**	(32.1)
Dividends or distributions paid to non-controlling interests		**-**	-	**-**	(9.4)
Cash flows (used in) provided by continuing financing activities		**(164.7)**	(280.8)	**(246.6)**	135.5
Net change in cash and cash equivalents from continuing operations		**7.0**	12.5	**3.6**	(849.1)
Cash flows provided by (used in) discontinued operations	18	**-**	2.2	**(0.7)**	7.1
Cash and cash equivalents at beginning of period		**17.2**	8.2	**21.3**	864.9
Cash and cash equivalents at end of period		**$ 24.2**	$ 22.9	**$ 24.2**	$ 22.9
Cash and cash equivalents consist of					
Cash		**$ 15.7**	$ 22.0	**$ 15.7**	$ 22.0
Cash equivalents		**8.5**	0.9	**8.5**	0.9
		$ 24.2	$ 22.9	**$ 24.2**	$ 22.9
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 45.5**	$ 49.1	**$ 203.3**	$ 206.1
Cash income tax payments (net of refunds)		**54.2**	(4.6)	**235.0**	12.4

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2019	December 31 2018 (restated, note 2)	December 31 2017 (restated, note 2)
Assets				
Current assets				
Cash and cash equivalents		**$ 24.2**	$ 21.3	$ 864.9
Accounts receivable		**515.9**	553.5	543.4
Contract assets		**153.8**	144.4	132.8
Income taxes		**11.5**	4.8	29.3
Inventories		**211.4**	186.3	188.1
Other current assets		**137.2**	118.3	117.6
Assets held for sale	18	**-**	95.0	-
		1,054.0	1,123.6	1,876.1
Non-current assets				
Property, plant and equipment		**3,351.0**	3,467.3	3,610.1
Intangible assets	8	**1,459.7**	1,135.3	983.1
Goodwill		**2,692.3**	2,678.3	2,695.8
Right-of-use assets		**108.4**	112.6	133.5
Derivative financial instruments		**746.3**	887.0	591.8
Deferred income taxes		**31.2**	51.8	33.2
Other assets		**231.4**	201.6	185.1
		8,620.3	8,533.9	8,232.6
Total assets		**$ 9,674.3**	$ 9,657.5	$ 10,108.7
Liabilities and equity				
Current liabilities				
Bank indebtedness		**$ 28.3**	$ 24.3	$ 0.8
Accounts payable and accrued charges		**742.0**	832.0	738.7
Provisions		**22.4**	32.0	24.0
Deferred revenue		**351.6**	340.7	346.8
Income taxes		**6.0**	119.2	13.3
Convertible debentures		**-**	-	450.0
Embedded derivatives related to convertible debentures		**-**	-	442.2
Current portion of long-term debt	12	**60.1**	57.9	20.4
Current portion of lease liabilities		**31.8**	36.0	39.8
Liabilities held for sale	18	**-**	6.6	-
		1,242.2	1,448.7	2,076.0
Non-current liabilities				
Long-term debt	12	**6,090.1**	6,370.3	5,516.2
Derivative financial instruments		**0.3**	-	34.1
Convertible debentures		**150.0**	150.0	-
Lease liabilities		**105.0**	108.4	128.1
Deferred income taxes		**811.6**	775.9	744.9
Other liabilities		**278.5**	235.7	212.4
		7,435.5	7,640.3	6,635.7
Equity				
Capital stock	14	**1,052.9**	1,065.9	313.9
Contributed surplus		**7.7**	4.7	3.5
(Deficit) retained earnings		**(136.6)**	(507.9)	594.7
Accumulated other comprehensive loss	16	**(16.2)**	(82.7)	(50.7)
Equity attributable to shareholders		**907.8**	480.0	861.4
Non-controlling interests		**88.8**	88.5	535.6
		996.6	568.5	1,397.0
Contingencies	19			
Subsequent event	20			
Total liabilities and equity		**$ 9,674.3**	$ 9,657.5	$ 10,108.7

See accompanying notes to condensed consolidated financial

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. (“Quebecor Media”) since June 22, 2018. Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service and video rental stores. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people’s viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect advertising expenditures. Accordingly, the results of operations for interim periods should not necessarily be considered indicative of full-year results due to the seasonality of certain operations.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation’s 2018 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 6, 2019.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2019.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. CHANGES IN ACCOUNTING POLICIES

(i) IFRS 16 – *Leases*

On January 1, 2019, the Corporation adopted on a fully retrospective basis the new rules under IFRS 16 which set out new principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. The standard provides lessees with a single accounting model for all leases, with certain exemptions. In particular, lessees are required to report most leases on their balance sheets by recognizing right-of-use assets and related financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis.

The adoption of IFRS 16 had significant impacts on the consolidated financial statements since all of the Corporation segments are engaged in various long-term leases relating to premises and equipment.

Under IFRS 16, most lease charges are now expensed as a depreciation of the right-of-use asset, along with an interest on the related lease liability. Since operating lease charges were recognized as operating expenses as they were incurred under previous standard, the adoption of IFRS 16 has changed the timing of the recognition of these lease charges over the term of each lease. It has also affected the classification of expenses in the consolidated statements of income.

Principal payments of the lease liability are now presented as financing activities in the consolidated statements of cash flows, whereas under the previous standard these payments were presented as operating activities.

The retrospective adoption of IFRS 16 had the following impacts on the comparative consolidated financial figures:

Consolidated statements of income and comprehensive income

Increase (decrease)	Three months ended September 30, 2018	Nine months ended September 30, 2018
Purchase of goods and services	$ (10.9)	$ (33.7)
Depreciation and amortization	8.3	24.7
Financial expenses	2.0	6.5
Deferred income tax expense	0.2	0.7
Net income and comprehensive income	$ 0.4	$ 1.8
Net income and comprehensive income attributable to:		
Shareholders	$ 0.4	$ 1.5
Non-controlling interests	–	0.3
Earnings per share attributable to shareholders	$ –	$ –

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. CHANGES IN ACCOUNTING POLICIES (continued)

(i) IFRS 16 – *Leases* (continued)

Consolidated balance sheets

Increase (decrease)	December 31, 2018	December 31, 2017
Other current assets	$ (2.2)	$ (2.2)
Property, plant and equipment	15.5	15.5
Right-of-use assets	112.6	133.5
Provisions	(1.5)	(1.4)
Lease liabilities[1]	144.4	167.9
Other liabilities	(4.3)	(3.4)
Deferred income tax liability	(3.3)	(4.3)
Deficit	9.2	7.2
Non-controlling interests	(0.2)	(4.8)

[1] The current portion of lease liabilities is $36.0 million as of December 31, 2018 and $39.8 million as of December 31, 2017.

(ii) IFRIC 23 – *Uncertainty over Income Tax Treatments*

IFRIC 23 provides guidance on how to value uncertain income tax positions based on the probability of whether or not the relevant tax authorities will accept the Corporation's tax treatments.

The adoption of IFRIC 23 had no impact on the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
Telecommunications:				
Internet	**$ 279.3**	$ 272.0	**$ 831.6**	$ 805.2
Cable television	**242.2**	247.6	**734.9**	747.7
Mobile telephony	**155.7**	138.3	**443.5**	394.9
Cable telephony	**84.4**	91.0	**257.4**	278.8
Equipment sales	**69.6**	63.1	**170.2**	162.6
Other	**45.5**	42.8	**134.2**	126.7
Media:				
Advertising	**67.9**	72.0	**244.4**	253.7
Subscription	**52.0**	50.5	**155.8**	151.0
Other	**47.3**	48.4	**129.8**	125.9
Sports and Entertainment	**55.8**	54.5	**137.5**	128.6
Inter-segments	**(26.3)**	(27.0)	**(81.7)**	(81.2)
	$ 1,073.4	$ 1,053.2	**$ 3,157.6**	$ 3,093.9

4. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Employee costs	**$ 214.4**	$ 210.0	**$ 676.5**	$ 670.7
Less employee costs capitalized to property, plant and equipment and intangible assets	**(51.8)**	(46.3)	**(159.9)**	(144.6)
	162.6	163.7	**516.6**	526.1
Purchase of goods and services:				
Royalties, rights and creation costs	**143.4**	149.1	**496.2**	504.9
Cost of products sold	**105.5**	102.5	**285.9**	267.7
Service contracts	**40.3**	38.4	**114.2**	116.5
Marketing, circulation and distribution expenses	**27.8**	24.9	**74.0**	73.9
Other	**84.5**	100.6	**285.7**	289.0
	401.5	415.5	**1,256.0**	1,252.0
	$ 564.1	$ 579.2	**$ 1,772.6**	$ 1,778.1

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2019	2018 (restated, note 2)	**2019**	2018 (restated, note 2)
Interest on long-term debt and on debentures	**$ 74.6**	$ 81.1	**$ 229.2**	$ 234.9
Amortization of financing costs and long-term debt discount	**2.1**	1.8	**6.1**	5.3
Interest on lease liabilities	**2.0**	2.0	**6.0**	6.5
Interest on net defined benefit liability	**1.8**	1.5	**5.4**	4.5
(Gain) loss on foreign currency translation on short-term monetary items	**(0.1)**	–	**(1.5)**	0.7
Other	**0.8**	0.4	**0.9**	(6.3)
	$ 81.2	$ 86.8	**$ 246.1**	$ 245.6

6. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
(Gain) loss on embedded derivatives related to convertible debentures	**$ (4.2)**	$ (55.2)	**$ (7.0)**	$ 49.3
Other	**(1.8)**	0.7	**(1.1)**	1.4
	$ (6.0)	$ (54.5)	**$ (8.1)**	$ 50.7

7. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2019, net charges of $1.2 million and $8.2 million were recorded relating mainly to various cost reduction initiatives across the Corporation (a net gain of $1.3 million and a net charge of $7.2 million in 2018). An impairment charge on assets of $18.8 million was also recorded as a result of restructuring initiatives during the nine-month period ended September 30, 2019 ($14.9 million during the three-month and nine-month periods ended September 30, 2018).

8. SPECTRUM LICENCES

On April 10, 2019, Videotron Ltd. (“Videotron”) acquired 10 spectrum licences in the 600 MHz band covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. NON-CONTROLLING INTERESTS ACQUISITIONS

During the second quarter of 2018, the Corporation increased its interest in Quebecor Media from 81.5% to 100.0% as a result of the following transactions:

- On May 11 and June 22, 2018, Quebecor Media repurchased a total of 16,064,215 of its Common Shares held by CDP Capital d'Amérique Investissements inc. ("CDP Capital"), for a total aggregate purchase price of $1.54 billion, paid in cash. Cash on hand and drawings under the Videotron secured revolving credit facility were used to finance this transaction.
- On June 22, 2018, the Corporation purchased 1,564,696 Common Shares of Quebecor Media held by CDP Capital, in consideration of the issuance by the Corporation to CDP Capital of $150.0 million aggregate principal amount of convertible debentures (note 11).

The purchase of CDP Capital's minority interest in Quebecor Media was accounted for as an equity transaction. The excess of $1,221.6 million of the purchase price over the carrying value of non-controlling interests of $468.4 million acquired was recorded as a $1,202.4 million decrease of retained earnings and as a $19.2 million increase of accumulated other comprehensive loss.

10. BUSINESS ACQUISITIONS

On February 13, 2019, TVA Group Inc. ("TVA Group") acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consist mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

11. CONVERTIBLE DEBENTURES

In February and May 2018, the Corporation issued notices of redemption of convertible debentures for a total aggregate principal amount of $87.5 million. Redemption prices were paid upon redemption of these debentures.

On June 22, 2018, the Corporation issued $150.0 million aggregate principal amount of new convertible debentures, bearing interest at an annual rate of 4.00% and maturing in June 2024. The convertible debentures are convertible into Quebecor Class B Subordinate Voting Shares ("Class B Shares") in accordance with the terms of the trust indenture, subject to a floor price of $26.85 per share (that is, a maximum number of approximately 5,586,592 Class B Shares corresponding to a ratio of $150.0 million to the floor price) and a ceiling price of $33.5625 per share (that is, a minimum number of approximately 4,469,274 Class B Shares corresponding to a ratio of $150.0 million to the ceiling price), subject to adjustments in accordance with the terms of the trust indenture.

On August 21, 2018, the Corporation issued a notice of redemption on October 12, 2018, of all its remaining outstanding 4.125% convertible debentures due October 15, 2018, for a total aggregate principal amount of $362.5 million. Pursuant to the terms of the convertible debentures, the Corporation elected to exercise its share redemption payment right with respect to the entire outstanding debentures. Consequently, Quebecor issued and delivered 30,129,869 Class B Shares to the holders on October 12, 2018.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. LONG TERM DEBT

Components of long-term debt are as follows:

	September 30, 2019	December 31, 2018
Long-term debt	**$ 6,169.2**	$ 6,461.7
Change in fair value related to hedged interest rate risk	**11.6**	2.5
Financing fees, net of amortization	**(30.6)**	(36.0)
	6,150.2	6,428.2
Less current portion	**(60.1)**	(57.9)
	$ 6,090.1	$ 6,370.3

On February 13, 2019, TVA Group amended its $150.0 million secured revolving credit facility to extend the maturity date to February 2020 and to change certain conditions and terms of the facility.

On February 15, 2019, Quebecor Media amended its $300.0 million secured revolving credit facility to extend the maturity date to July 2022 and to change certain conditions and terms of the facility.

On July 15, 2019, Quebecor Media prepaid the balance outstanding under its term loan “B” credit facility and the related hedging contracts were unwound for a total cash consideration of $340.9 million.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	**2019**	2018
		(restated, note 2)		(restated, note 2)
Income from continuing operations attributable to shareholders	**$ 178.5**	$ 186.2	**$ 410.2**	$ 283.8
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(3.3)**	(51.3)	**1.0**	(1.8)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 175.2**	$ 134.9	**$ 411.2**	$ 282.0
Net income attributable to shareholders	**$ 178.5**	$ 187.1	**$ 507.7**	$ 286.2
Impact of assumed conversion of stock options of subsidiaries and of convertible debentures of the Corporation	**(3.3)**	(51.3)	**1.0**	(1.8)
Net income attributable to shareholders, adjusted for dilution effect	**$ 175.2**	$ 135.8	**$ 508.7**	$ 284.4
Weighted average number of shares outstanding (in millions)	**255.6**	232.8	**255.8**	234.1
Potentially dilutive effect of stock options and of convertible debentures of the Corporation (in millions)	**6.1**	36.0	**6.1**	5.9
Weighted average number of diluted shares outstanding (in millions)	**261.7**	268.8	**261.9**	240.0

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2018	77,249,244	$ 8.6	179,807,353	$ 1,057.3
Class A Shares converted into Class B Shares	(18,600)	–	18,600	–
Shares purchased and cancelled	–	–	(2,672,056)	(15.7)
Shares issued upon exercise of stock options	–	–	180,000	2.7
Balance as of September 30, 2019	**77,230,644**	**$ 8.6**	**177,333,897**	**$ 1,044.3**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2019, the Corporation purchased and cancelled 2,672,056 Class B Shares for a total cash consideration of $80.5 million (7,535,300 Class B Shares for a total cash consideration of $186.3 million in 2018). The excess of $64.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in increase of the deficit ($171.9 million in 2018).

During the nine-month period ended September 30, 2019, 180,000 Class B Shares were issued upon exercise of stock options for a cash consideration of $2.7 million (100,000 Class B shares for a cash consideration of $1.3 million in 2018). As a result of this transaction, contributed surplus was increased by $3.0 million ($1.2 million in 2018) and stock-based compensation liability was reduced by the same amount.

On November 6, 2019, the Board of Directors of the Corporation declared a dividend of $0.1125 per share on Class A Shares and Class B Shares, or approximately $28.6 million, payable on December 17, 2019, to shareholders of record at the close of business on November 22, 2019.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

15. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2019:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2018	1,982,892	$ 21.60
Granted	1,403,250	31.61
Exercised	(180,000)	15.12
Cancelled	(96,500)	27.39
As of September 30, 2019	**3,109,642**	**$ 26.32**
Vested options as of September 30, 2019	**500,000**	**$ 11.11**
Quebecor Media		
As of December 31, 2018	318,400	$ 64.61
Exercised	(147,400)	62.41
Cancelled	(39,000)	69.87
As of September 30, 2019	**132,000**	**$ 65.52**
Vested options as of September 30, 2019	**97,550**	**$ 63.74**
TVA Group		
As of December 31, 2018	340,000	$ 2.99
Granted	290,000	2.05
Cancelled	(65,000)	3.93
As of September 30, 2019	**565,000**	**$ 2.40**
Vested options as of September 30, 2019	**28,000**	**$ 6.85**

During the three-month period ended September 30, 2019, 38,950 stock options of Quebecor Media were exercised for a cash consideration of $1.9 million (54,300 stock options for $2.2 million in 2018). During the nine-month period ended September 30, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options (note 14) (100,000 Class B Shares in 2018) and 147,400 stock options of Quebecor Media were exercised for a cash consideration of $7.4 million (157,277 stock options for $5.6 million in 2018).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

15. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of September 30, 2019, 159,757 DSUs based on Quebecor Class B Shares, 238,565 DSUs based on TVA Group Class B Shares, 118,279 PSUs based on Quebecor Class B Shares and 135,935 PSUs based on TVA Group Class B Shares were outstanding under these plans. During the first quarter of 2019, a cash consideration of $5.4 million was paid upon PSUs redemption.

Stock-based compensation expense

For the three-month period ended September 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $1.2 million ($2.3 million in 2018). For the nine-month period ended September 30, 2019, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $7.9 million ($13.4 million in 2018).

16. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2017	$ (11.7)	$ (39.0)	$ (50.7)
Other comprehensive loss	(32.1)	–	(32.1)
Non-controlling interest acquisition (note 9)	(10.4)	(8.8)	(19.2)
Balance as of September 30, 2018	(54.2)	(47.8)	(102.0)
Other comprehensive income (loss)	23.5	(4.2)	19.3
Balance as of December 31, 2018	(30.7)	(52.0)	(82.7)
Other comprehensive income	66.5	–	66.5
Balance as of September 30, 2019	**$ 35.8**	**$ (52.0)**	**$ (16.2)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/2-year period.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2019 and December 31, 2018 are as follows:

	September 30, 2019		December 31, 2018	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,169.2)**	**$ (6,536.5)**	$ (6,461.7)	$ (6,444.9)
Convertible debentures[2]	**(149.2)**	**(149.2)**	(150.6)	(150.6)
Derivative financial instruments				
Foreign exchange forward contracts	**(0.3)**	**(0.3)**	6.7	6.7
Cross-currency interest rate swaps	**746.3**	**746.3**	880.3	880.3

1 The carrying value of long-term debt excludes adjustments to record changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the initial capital investment and the value of the cap and floor conversion price features, recognized as embedded derivatives.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2019 and 2018
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

18. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data centers operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron in the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments.

19. CONTINGENCIES

In the context of commercial disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of these proceedings, management of the Corporation is in the opinion that the outcome should not have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission (“CRTC”) issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a reduction in earnings of approximately $22.0 million (before income taxes) in 2019 and approximately $30.0 million (before income taxes) from March 31, 2016 to December 31, 2018. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC’s order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On September 27, 2019, the Federal Court of Appeal granted an interim stay of the CRTC’s order. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

20. SUBSEQUENT EVENT

On October 8, 2019, Videotron issued $800.0 million aggregate principal amount of Senior Notes bearing interest at 4.50% and maturing on January 15, 2030, for net proceeds of $790.7 million, net of financing fees of approximately $9.3 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

This is Exhibit 63 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and six-month periods ended June 30, 2020 and 2019

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Revenues	2	**$ 1,003.8**	$ 1,056.9	**$ 2,059.3**	$ 2,084.2
Employee costs	3	**136.7**	172.2	**314.7**	354.0
Purchase of goods and services	3	**391.4**	429.7	**832.2**	854.5
Depreciation and amortization		**195.7**	188.6	**393.8**	377.1
Financial expenses	4	**81.6**	82.8	**169.0**	164.9
Gain on valuation and translation of financial instruments	5	**(4.2)**	(16.4)	**(27.5)**	(2.1)
Restructuring of operations and other items	6	**10.3**	17.3	**14.2**	25.8
Income before income taxes		**192.3**	182.7	**362.9**	310.0
Income taxes (recovery):					
Current		**59.3**	39.8	**120.3**	85.4
Deferred		**(8.5)**	4.5	**(29.0)**	(3.2)
		50.8	44.3	**91.3**	82.2
Income from continuing operations		**141.5**	138.4	**271.6**	227.8
Income from discontinued operations	17	**32.5**	-	**33.8**	97.5
Net income		**$ 174.0**	$ 138.4	**$ 305.4**	$ 325.3
Income (loss) from continuing operations attributable to					
Shareholders		**$ 142.4**	$ 140.2	**$ 272.7**	$ 231.7
Non-controlling interests		**(0.9)**	(1.8)	**(1.1)**	(3.9)
Net income (loss) attributable to					
Shareholders		**$ 174.9**	$ 140.2	**$ 306.5**	$ 329.2
Non-controlling interests		**(0.9)**	(1.8)	**(1.1)**	(3.9)
Earnings per share attributable to shareholders	11				
Basic:					
From continuing operations		**$ 0.56**	$ 0.55	**$ 1.08**	$ 0.91
From discontinued operations		**0.13**	-	**0.13**	0.38
Net income		**0.69**	0.55	**1.21**	1.29
Diluted:					
From continuing operations		**0.54**	0.47	**0.96**	0.88
From discontinued operations		**0.12**	-	**0.13**	0.37
Net income		**0.66**	0.47	**1.09**	1.25
Weighted average number of shares outstanding (in millions)		**252.8**	255.9	**253.4**	255.9
Weighted average number of diluted shares (in millions)		**258.6**	262.1	**259.2**	262.1

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Income from continuing operations		**$ 141.5**	$ 138.4	**$ 271.6**	$ 227.8
Other comprehensive (loss) income from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		**(19.0)**	49.5	**43.9**	30.2
Deferred income taxes		**6.4**	(4.7)	**(8.6)**	1.8
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss		**(62.0)**	-	**(62.0)**	-
Deferred income taxes		**16.0**	-	**16.0**	-
		(58.6)	44.8	**(10.7)**	32.0
Comprehensive income from continuing operations		**82.9**	183.2	**260.9**	259.8
Income from discontinued operations	17	**32.5**	-	**33.8**	97.5
Comprehensive income		**$ 115.4**	$ 183.2	**$ 294.7**	$ 357.3
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		**$ 87.3**	$ 185.0	**$ 265.5**	$ 263.7
Non-controlling interests		**(4.4)**	(1.8)	**(4.6)**	(3.9)
Comprehensive income (loss) attributable to					
Shareholders		**$ 119.8**	$ 185.0	**$ 299.3**	$ 361.2
Non-controlling interests		**(4.4)**	(1.8)	**(4.6)**	(3.9)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 869.1**	**$ 132.7**	**$ 25.9**	**$ (23.9)**	**$ 1,003.8**
Employee costs	**100.7**	**26.2**	**4.1**	**5.7**	**136.7**
Purchase of goods and services	**304.8**	**98.9**	**19.0**	**(31.3)**	**391.4**
Adjusted EBITDA[1]	**463.6**	**7.6**	**2.8**	**1.7**	**475.7**
Depreciation and amortization					**195.7**
Financial expenses					**81.6**
Gain on valuation and translation of financial instruments					**(4.2)**
Restructuring of operations and other items					**10.3**
Income before income taxes					**$ 192.3**
Cash flows used for:					
Additions to property, plant and equipment	**$ 104.8**	**$ 1.6**	**$ -**	**$ 0.3**	**$ 106.7**
Additions to intangible assets	**41.0**	**6.2**	**0.7**	**0.1**	**48.0**

Three months ended June 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 854.4	$ 190.1	$ 41.3	$ (28.9)	$ 1,056.9
Employee costs	95.9	59.9	9.9	6.5	172.2
Purchase of goods and services	308.5	124.5	32.9	(36.2)	429.7
Adjusted EBITDA[1]	450.0	5.7	(1.5)	0.8	455.0
Depreciation and amortization					188.6
Financial expenses					82.8
Gain on valuation and translation of financial instruments					(16.4)
Restructuring of operations and other items					17.3
Income before income taxes					$ 182.7
Cash flows used for:					
Additions to property, plant and equipment	$ 111.2	$ 2.0	$ 0.5	$ 1.2	$ 114.9
Additions to intangible assets	296.5	9.0	1.1	0.3	306.9

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 1,743.8**	**$ 307.5**	**$ 60.7**	**$ (52.7)**	**$ 2,059.3**
Employee costs	**203.6**	**85.9**	**14.1**	**11.1**	**314.7**
Purchase of goods and services	**641.1**	**209.9**	**47.6**	**(66.4)**	**832.2**
Adjusted EBITDA [1]	**899.1**	**11.7**	**(1.0)**	**2.6**	**912.4**
Depreciation and amortization					**393.8**
Financial expenses					**169.0**
Gain on valuation and translation of financial instruments					**(27.5)**
Restructuring of operations and other items					**14.2**
Income before income taxes					**$ 362.9**
Cash flows used for:					
Additions to property, plant and equipment	**$ 178.4**	**$ 7.8**	**$ 0.1**	**$ 0.4**	**$ 186.7**
Additions to intangible assets	**136.1**	**13.1**	**1.5**	**0.1**	**150.8**

Six months ended June 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 1,695.1	$ 362.8	$ 81.7	$ (55.4)	$ 2,084.2
Employee costs	199.6	117.4	19.6	17.4	354.0
Purchase of goods and services	622.5	238.5	64.3	(70.8)	854.5
Adjusted EBITDA [1]	873.0	6.9	(2.2)	(2.0)	875.7
Depreciation and amortization					377.1
Financial expenses					164.9
Gain on valuation and translation of financial instruments					(2.1)
Restructuring of operations and other items					25.8
Income before income taxes					$ 310.0
Cash flows used for:					
Additions to property, plant and equipment	$ 243.8	$ 8.7	$ 1.0	$ 1.2	$ 254.7
Additions to intangible assets	345.1	10.6	2.1	0.3	358.1

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 12)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss (note 14)		
Balance as of December 31, 2018	$ 1,065.9	$ 4.7	$ (507.9)	$ (82.7)	$ 88.5	$ 568.5
Net income (loss)	-	-	329.2	-	(3.9)	325.3
Other comprehensive income	-	-	-	32.0	-	32.0
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(42.9)	-	-	(42.9)
Repurchase of Class B Shares	(7.8)	-	(31.7)	-	-	(39.5)
Balance as of June 30, 2019	1,060.8	7.7	(253.3)	(50.7)	84.6	849.1
Net income	-	-	323.6	-	9.4	333.0
Other comprehensive (loss) income	-	-	-	(13.4)	0.6	(12.8)
Dividends	-	-	(57.4)	-	-	(57.4)
Issuance of Class B Shares	5.6	9.7	-	-	-	15.3
Repurchase of Class B Shares	(10.5)	-	(44.6)	-	-	(55.1)
Balance as of December 31, 2019	1,055.9	17.4	(31.7)	(64.1)	94.6	1,072.1
Net income (loss)	-	-	306.5	-	(1.1)	305.4
Other comprehensive loss	-	-	-	(7.2)	(3.5)	(10.7)
Dividends	-	-	(101.2)	-	(0.2)	(101.4)
Repurchase of Class B Shares	(18.6)	-	(77.0)	-	-	(95.6)
Balance as of June 30, 2020	**$ 1,037.3**	**$ 17.4**	**$ 96.6**	**$ (71.3)**	**$ 89.8**	**$ 1,169.8**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2020	Three months ended June 30 2019	Six months ended June 30 2020	Six months ended June 30 2019
Cash flows related to operating activities					
Income from continuing operations		**$ 141.5**	$ 138.4	**$ 271.6**	$ 227.8
Adjustments for:					
Depreciation of property, plant and equipment		**152.7**	150.7	**305.8**	301.8
Amortization of intangible assets		**34.3**	28.8	**70.2**	57.4
Amortization of right-of-use assets		**8.7**	9.1	**17.8**	17.9
Gain on valuation and translation of financial instruments	5	**(4.2)**	(16.4)	**(27.5)**	(2.1)
Impairment of assets	6	**-**	15.3	**-**	18.8
Amortization of financing costs and long-term debt discount	4	**2.1**	2.0	**4.1**	4.0
Deferred income taxes		**(8.5)**	4.5	**(29.0)**	(3.2)
Other		**(2.4)**	(0.4)	**0.2**	(2.1)
		324.2	332.0	**613.2**	620.3
Net change in non-cash balances related to operating activities		**69.3**	(42.8)	**101.9**	(150.6)
Cash flows provided by continuing operating activities		**393.5**	289.2	**715.1**	469.7
Cash flows related to investing activities					
Business acquisitions	7	**(10.8)**	(11.1)	**(10.8)**	(34.6)
Business disposals	17	**-**	(0.9)	**-**	260.7
Additions to property, plant and equipment		**(106.7)**	(114.9)	**(186.7)**	(254.7)
Additions to intangible assets	8	**(48.0)**	(306.9)	**(150.8)**	(358.1)
Proceeds from disposals of assets		**0.7**	0.1	**2.2**	2.7
Other		**(2.3)**	(5.9)	**(2.9)**	(7.2)
Cash flows used in continuing investing activities		**(167.1)**	(439.6)	**(349.0)**	(391.2)
Cash flows related to financing activities					
Net change in bank indebtedness		**4.0**	(6.0)	**(8.8)**	(2.9)
Net change under revolving facilities		**(82.3)**	210.7	**(135.2)**	30.0
Repayment of long-term debt		**(0.3)**	(4.1)	**(0.6)**	(8.0)
Repayment of lease liabilities		**(10.9)**	(10.6)	**(20.5)**	(20.5)
Settlement of hedging contracts		**(0.8)**	(0.8)	**(0.8)**	(0.8)
Issuance of Class B Shares		**-**	-	**-**	2.7
Repurchase of Class B Shares	12	**(61.5)**	-	**(95.6)**	(39.5)
Dividends		**(101.2)**	(42.9)	**(101.2)**	(42.9)
Dividends paid to non-controlling interests		**-**	-	**(0.2)**	-
Cash flows (used in) provided by continuing financing activities		**(253.0)**	146.3	**(362.9)**	(81.9)
Cash flows (used in) provided by continuing operations		**(26.6)**	(4.1)	**3.2**	(3.4)
Cash flows provided by (used in) discontinued operations	17	**7.8**	1.6	**7.8**	(0.7)
Cash and cash equivalents at beginning of period		**43.8**	19.7	**14.0**	21.3
Cash and cash equivalents at end of period		**$ 25.0**	$ 17.2	**$ 25.0**	$ 17.2
Cash and cash equivalents consist of					
Cash		**$ 20.3**	$ 5.7	**$ 20.3**	$ 5.7
Cash equivalents		**4.7**	11.5	**4.7**	11.5
		$ 25.0	$ 17.2	**$ 25.0**	$ 17.2
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 118.3**	$ 110.7	**$ 157.2**	$ 157.8
Cash income tax payments (net of refunds)		**(0.1)**	42.1	**22.9**	180.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 25.0**	$ 14.0
Accounts receivable		**552.5**	548.0
Contract assets		**156.2**	160.3
Income taxes		**7.8**	19.1
Inventories		**215.5**	240.4
Other current assets		**119.8**	121.2
		1,076.8	1,103.0
Non-current assets			
Property, plant and equipment		**3,309.2**	3,415.9
Intangible assets		**1,472.0**	1,444.0
Goodwill		**2,692.9**	2,692.9
Right-of-use assets		**132.3**	110.4
Derivative financial instruments		**902.9**	679.8
Deferred income taxes		**37.6**	31.2
Other assets		**264.2**	248.7
		8,811.1	8,622.9
Total assets		**$ 9,887.9**	$ 9,725.9
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 20.6**	$ 29.4
Accounts payable, accrued charges and provisions		**747.4**	809.6
Deferred revenue		**337.0**	332.7
Income taxes		**91.3**	4.2
Current portion of long-term debt	9	**5.4**	57.2
Current portion of lease liabilities		**32.0**	31.3
		1,233.7	1,264.4
Non-current liabilities			
Long-term debt	9	**6,000.5**	5,900.3
Derivative financial instruments		**-**	2.1
Convertible debentures		**150.0**	150.0
Lease liabilities		**125.1**	106.6
Deferred income taxes		**833.9**	859.2
Other liabilities		**374.9**	371.2
		7,484.4	7,389.4
Equity			
Capital stock	12	**1,037.3**	1,055.9
Contributed surplus		**17.4**	17.4
Retained earnings (deficit)		**96.6**	(31.7)
Accumulated other comprehensive loss	14	**(71.3)**	(64.1)
Equity attributable to shareholders		**1,080.0**	977.5
Non-controlling interests		**89.8**	94.6
		1,169.8	1,072.1
Contingencies	16		
Total liabilities and equity		**$ 9,887.9**	$ 9,725.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential. Since then, the Québec government has gradually announced the stages of its reopening plan, which extend over a period of several months. This crisis curtailed the operations of many of Quebecor's business partners and has led to a significant slowdown in some of Quebecor's segments in the first semester of 2020. Among other impacts, the COVID-19 virus and the measures to prevent its spread have led to a significant reduction in volume at Videotron Ltd ("Videotron")'s retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease of sports events broadcast by the TVA Sports channel, and reduced film and audiovisual content activity in the Media segment; and delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment. However, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and of its employees. Because of the slowdown in the economy, approximately 10% of Quebecor's workforce received benefits under the Corporation's assistance program because they are on stand-by. During the health crisis, this program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit programs. Most of the business units in the Media segment and Sports and Entertainment segment qualified for the Emergency Wage Subsidy, and provisions for subsidies receivable were recorded in the second quarter of 2020 as a reduction in employee costs. Given the uncertainty about the evolution of the pandemic, the full impact of the crisis cannot be determined with certainty at this stage.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 5, 2020.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2020.

2. REVENUES

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Telecommunications:				
Internet	**$ 276.1**	$ 278.7	**$ 553.6**	$ 552.3
Cable television	**227.8**	247.5	**460.9**	492.7
Mobile telephony	**159.7**	146.4	**319.9**	287.8
Cable telephony	**86.9**	85.7	**169.7**	173.0
Equipment sales	**73.9**	51.4	**150.0**	100.6
Other	**44.7**	44.7	**89.7**	88.7
Media:				
Advertising	**54.1**	92.6	**131.9**	176.5
Subscription	**47.9**	53.0	**99.7**	103.8
Other	**30.7**	44.5	**75.9**	82.5
Sports and Entertainment	**25.9**	41.3	**60.7**	81.7
Inter-segments	**(23.9)**	(28.9)	**(52.7)**	(55.4)
	$ 1,003.8	$ 1,056.9	**$ 2,059.3**	$ 2,084.2

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Employee costs	**$ 188.7**	$ 229.1	**$ 418.6**	$ 462.1
Less employee costs capitalized to property, plant and equipment and intangible assets	**(52.0)**	(56.9)	**(103.9)**	(108.1)
	136.7	172.2	**314.7**	354.0
Purchase of goods and services:				
Royalties, rights and creation costs[1]	**168.7**	183.5	**337.2**	352.8
Cost of products sold	**90.9**	87.4	**188.0**	180.4
Service contracts	**40.7**	36.4	**87.1**	73.9
Marketing, circulation and distribution expenses	**12.2**	23.0	**33.3**	46.2
Other	**78.9**	99.4	**186.6**	201.2
	391.4	429.7	**832.2**	854.5
	$ 528.1	$ 601.9	**$ 1,146.9**	$ 1,208.5

[1] During the second quarter of 2020, the Corporation remeasured its audiovisual content asset, given the current pandemic and its impacts on the Media segment's operations. As a result of this remeasurement, the Media segment recorded a $28.1 million charge for audiovisual content for the three-month and six-month periods ended June 30, 2020. Despite this charge, audiovisual content rights and costs of the Media segment for these periods decreased by $12.6 million and $12.1 million by comparison with the respective three-month and six-month periods ended June 30, 2019. The management of the Corporation will remeasure its audiovisual content asset in the coming quarters as the situation develops.

4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Interest on long-term debt and on debentures	**$ 76.2**	$ 77.1	**$ 153.4**	$ 154.6
Amortization of financing costs and long-term debt discount	**2.1**	2.0	**4.1**	4.0
Interest on lease liabilities	**1.8**	2.1	**3.8**	4.0
Interest on net defined benefit liability	**2.0**	1.8	**3.9**	3.6
(Gain) loss on foreign currency translation on short-term monetary items	**(1.6)**	(0.6)	**3.0**	(1.4)
Other	**1.1**	0.4	**0.8**	0.1
	$ 81.6	$ 82.8	**$ 169.0**	$ 164.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Gain on embedded derivatives related to convertible debentures	**$ (4.7)**	$ (16.4)	**$ (27.2)**	$ (2.8)
Other	**0.5**	–	**(0.3)**	0.7
	$ (4.2)	$ (16.4)	**$ (27.5)**	$ (2.1)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2020, charges of $10.3 million and $14.2 million were recorded in connection with cost reduction initiatives in the Corporation's various segments.

During the respective three-month and six-month periods ended June 30, 2019, charges of $2.0 million and $7.0 million were recorded relating to cost reduction initiatives and impairment of assets charges of $15.3 million and $18.8 million were also recorded.

7. BUSINESS ACQUISITIONS

On June 17, 2020, the Sports and Entertainment segment acquired the Théâtre Capitole, a concert hall in Québec, for a cash consideration of $10.8 million, net of an assumed working capital liability. The acquired assets consist mainly of the building and equipment.

On February 13, 2019, TVA Group Inc. ("TVA Group") acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consisted mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media Inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

8. SPECTRUM LICENCES

On April 10, 2019, Videotron acquired ten 600 MHz spectrum licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	June 30, 2020	December 31, 2019
Long-term debt	**$ 6,019.1**	$ 5,986.1
Change in fair value related to hedged interest rate risk	**20.5**	9.1
Financing fees, net of amortization	**(33.7)**	(37.7)
	6,005.9	5,957.5
Less current portion	**(5.4)**	(57.2)
	$ 6,000.5	$ 5,900.3

As of June 30, 2020, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was $3,899.1 million ($3,718.8 million as of December 31, 2019) while the net fair value of related hedging derivative instruments were in an asset position of $902.1 million ($679.8 million as of December 31, 2019).

On July 15, 2020, the revolving credit facility of Quebecor in an amount of $50.0 million expired and was not renewed.

On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions.

10. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on March 11, 2020 on Quebecor Class B Subordinate Voting Shares (“Class B Shares”) triggered an adjustment to the floor price and ceiling price then in effect. Effective on March 26, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $26.57 per share (that is, a maximum number of approximately 5,644,430 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $33.22 per share (that is, a minimum number of approximately 4,515,544 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended June 30		Six months ended June 30	
	2020	2019	**2020**	2019
Income from continuing operations attributable to shareholders	**$ 142.4**	$ 140.2	**$ 272.7**	$ 231.7
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(3.6)**	(15.5)	**(25.1)**	(0.9)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 138.8**	$ 124.7	**$ 247.6**	$ 230.8
Net income attributable to shareholders	**$ 174.9**	$ 140.2	**$ 306.5**	$ 329.2
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(3.6)**	(15.5)	**(25.1)**	(0.9)
Net income attributable to shareholders, adjusted for dilution effect	**$ 171.3**	$ 124.7	**$ 281.4**	$ 328.3
Weighted average number of shares outstanding (in millions)	**252.8**	255.9	**253.4**	255.9
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**5.8**	6.2	**5.8**	6.2
Weighted average number of diluted shares outstanding (in millions)	**258.6**	262.1	**259.2**	262.1

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2019	77,213,834	$ 8.6	177,415,407	$ 1,047.3
Class A Shares converted into Class B Shares	(2,600)	–	2,600	–
Shares purchased and cancelled	–	–	(3,143,300)	(18.6)
Balance as of June 30, 2020	**77,211,234**	**$ 8.6**	**174,274,707**	**$ 1,028.7**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On May 27, 2020, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 6,000,000 Class B Shares, representing approximately 3.4% of issued and outstanding Class B Shares as of August 1, 2019. No other terms of the normal course issuer bid were amended.

On August 5, 2020, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the six-month period ended June 30, 2020, the Corporation purchased and cancelled 3,143,300 Class B Shares for a total cash consideration of $95.6 million (1,319,600 Class B Shares for a total cash consideration of $39.5 million in 2019). The excess of $77.0 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of $31.7 million in 2019).

During the six-month period ended June 30, 2019, the Corporation issued 180,000 Class B Shares upon exercise of stock options for a cash consideration of $2.7 million. As a result of this transaction, contributed surplus was increased by $3.0 million and stock-based compensation liability was reduced by the same amount.

On August 5, 2020, the Board of Directors of the Corporation declared a dividend of $0.20 per share on Class A Shares and Class B Shares, or approximately $50.3 million, payable on September 15, 2020, to shareholders of record at the close of business on August 21, 2020.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the six-month period ended June 30, 2020:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2019	2,504,892	$ 29.21
Cancelled	(70,000)	30.58
As of June 30, 2020	**2,434,892**	**$ 29.17**
Vested options as of June 30, 2020	**–**	**$ –**
Quebecor Media		
As of December 31, 2019	129,200	$ 65.41
Exercised	(72,500)	64.42
As of June 30, 2020	**56,700**	**$ 66.67**
Vested options as of June 30, 2020	**56,700**	**$ 66.67**
TVA Group		
As of December 31, 2019	515,000	$ 2.43
Cancelled	(10,000)	2.16
As of June 30, 2020	**505,000**	**$ 2.43**
Vested options as of June 30, 2020	**35,000**	**$ 6.85**

During the three-month period ended June 30, 2020, 16,000 stock options of Quebecor Media were exercised for a cash consideration of $0.9 million (41,500 stock options for $2.1 million in 2019). During the six-month period ended June 30, 2020, 72,500 stock options of Quebecor Media were exercised for a cash consideration of $4.3 million (108,450 stock options for $5.5 million in 2019). During the six-month period ended June 30, 2019,180,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor (Note 12).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2020, 147,088 DSUs based on Quebecor Class B Shares and 204,598 DSUs based on TVA Group Class B Shares were outstanding under these plans. As of June 30, 2020, there is no PSUs outstanding. During the first quarter of 2020, a cash consideration of $4.8 million was paid upon PSUs redemption ($5.4 million in 2019).

Stock-based compensation expense

For the three-month period ended June 30, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $0.3 million ($0.2 million in 2019). For the six-month period ended June 30, 2020, a reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of $1.6 million (a charge of $6.7 million in 2019).

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

		Cash flow hedges[1]		Defined benefit plans[2]		Total
Balance as of December 31, 2018	$	(30.3)	$	(52.4)	$	(82.7)
Other comprehensive income		32.0		–		32.0
Balance as of June 30, 2019		1.7		(52.4)		(50.7)
Other comprehensive income (loss)		38.6		(52.0)		(13.4)
Balance as of December 31, 2019		40.3		(104.4)		(64.1)
Other comprehensive income (loss)		35.3		(42.5)		(7.2)
Balance as of June 30, 2020	**$**	**75.6**	**$**	**(146.9)**	**$**	**(71.3)**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 3/4-year period.

2 The re-measurement loss in the consolidated statement of comprehensive income for the six-month period ended June 30, 2020 is mainly due to a decrease of the discount rate since December 31, 2019.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2020 and December 31, 2019 are as follows:

	June 30, 2020		December 31, 2019	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,019.1)**	**$ (6,259.8)**	$ (5,986.1)	$ (6,376.2)
Convertible debentures[2]	**(135.3)**	**(135.3)**	(162.0)	(162.0)
Derivative financial instruments				
Foreign exchange forward contracts	**0.8**	**0.8**	(2.1)	(2.1)
Cross-currency interest rate swaps	**902.1**	**902.1**	679.8	679.8

[1] The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

[2] The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

16. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a retrospective reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC's order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On November 22, 2019, the leave to appeal was granted by the Federal Court of Appeal and the interim stay of the CRTC's order granted by this court on September 27, 2019, was extended until a final ruling by the Federal Court of Appeal is made. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

17. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data center operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron during the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions were achieved.

This is Exhibit 64 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2020 and 2019

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended March 31 2020	2019
Revenues	2	**$ 1,055.5**	$ 1,027.3
Employee costs	3	**178.0**	181.8
Purchase of goods and services	3	**440.8**	424.8
Depreciation and amortization		**198.1**	188.5
Financial expenses	4	**87.4**	82.1
(Gain) loss on valuation and translation of financial instruments	5	**(23.3)**	14.3
Restructuring of operations and other items	6	**3.9**	8.5
Income before income taxes		**170.6**	127.3
Income taxes (recovery):			
Current		**61.0**	45.6
Deferred		**(20.5)**	(7.7)
		40.5	37.9
Income from continuing operations		**130.1**	89.4
Income from discontinued operations	16	**1.3**	97.5
Net income		**$ 131.4**	$ 186.9
Income (loss) from continuing operations attributable to			
Shareholders		**$ 130.3**	$ 91.5
Non-controlling interests		**(0.2)**	(2.1)
Net income (loss) attributable to			
Shareholders		**$ 131.6**	$ 189.0
Non-controlling interests		**(0.2)**	(2.1)
Earnings per share attributable to shareholders	10		
Basic:			
From continuing operations		**$ 0.51**	$ 0.36
From discontinued operations		**0.01**	0.38
Net income		**0.52**	0.74
Diluted:			
From continuing operations		**0.41**	0.36
From discontinued operations		**0.01**	0.38
Net income		**0.42**	0.74
Weighted average number of shares outstanding (in millions)		**254.0**	256.0
Weighted average number of diluted shares (in millions)		**259.9**	256.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2020	2019
Income from continuing operations		**$ 130.1**	$ 89.4
Other comprehensive income (loss) from continuing operations			
Items that may be reclassified to income:			
Cash flow hedges:			
Gain (loss) on valuation of derivative financial instruments		**62.9**	(19.3)
Deferred income taxes		**(15.0)**	6.5
		47.9	(12.8)
Comprehensive income from continuing operations		**178.0**	76.6
Income from discontinued operations	16	**1.3**	97.5
Comprehensive income		**$ 179.3**	$ 174.1
Comprehensive income (loss) from continuing operations attributable to			
Shareholders		**$ 178.2**	$ 78.7
Non-controlling interests		**(0.2)**	(2.1)
Comprehensive income (loss) attributable to			
Shareholders		**$ 179.5**	$ 176.2
Non-controlling interests		**(0.2)**	(2.1)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2020

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 874.7**	**$ 174.8**	**$ 34.8**	**$ (28.8)**	**$ 1,055.5**
Employee costs	**102.9**	**59.7**	**10.0**	**5.4**	**178.0**
Purchase of goods and services	**336.3**	**111.0**	**28.6**	**(35.1)**	**440.8**
Adjusted EBITDA[1]	**435.5**	**4.1**	**(3.8)**	**0.9**	**436.7**
Depreciation and amortization					**198.1**
Financial expenses					**87.4**
Gain on valuation and translation of financial instruments					**(23.3)**
Restructuring of operations and other items					**3.9**
Income before income taxes					**$ 170.6**
Cash flows used for:					
Additions to property, plant and equipment	**$ 73.6**	**$ 6.2**	**$ 0.1**	**$ 0.1**	**$ 80.0**
Additions to intangible assets	**95.1**	**6.9**	**0.8**	**-**	**102.8**

Three months ended March 31, 2019

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 840.7	$ 172.7	$ 40.4	$ (26.5)	$ 1,027.3
Employee costs	103.7	57.5	9.7	10.9	181.8
Purchase of goods and services	314.0	114.0	31.4	(34.6)	424.8
Adjusted EBITDA[1]	423.0	1.2	(0.7)	(2.8)	420.7
Depreciation and amortization					188.5
Financial expenses					82.1
Loss on valuation and translation of financial instruments					14.3
Restructuring of operations and other items					8.5
Income before income taxes					$ 127.3
Cash flows used for:					
Additions to property, plant and equipment	$ 132.6	$ 6.7	$ 0.5	$ -	$ 139.8
Additions to intangible assets	48.6	1.6	1.0	-	51.2

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 11)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss (note 13)		
Balance as of December 31, 2018	$ 1,065.9	$ 4.7	$ (507.9)	$ (82.7)	$ 88.5	$ 568.5
Net income (loss)	-	-	189.0	-	(2.1)	186.9
Other comprehensive loss	-	-	-	(12.8)	-	(12.8)
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(14.1)	-	-	(14.1)
Repurchase of Class B Shares	(7.8)	-	(31.7)	-	-	(39.5)
Balance as of March 31, 2019	1,060.8	7.7	(364.7)	(95.5)	86.4	694.7
Net income	-	-	463.8	-	7.6	471.4
Other comprehensive income	-	-	-	31.4	0.6	32.0
Dividends	-	-	(86.2)	-	-	(86.2)
Issuance of Class B Shares	5.6	9.7	-	-	-	15.3
Repurchase of Class B Shares	(10.5)	-	(44.6)	-	-	(55.1)
Balance as of December 31, 2019	1,055.9	17.4	(31.7)	(64.1)	94.6	1,072.1
Net income (loss)	-	-	131.6	-	(0.2)	131.4
Other comprehensive income	-	-	-	47.9	-	47.9
Dividends	-	-	(50.9)	-	(0.2)	(51.1)
Repurchase of Class B Shares	(6.3)	-	(27.8)	-	-	(34.1)
Balance as of March 31, 2020	**$ 1,049.6**	**$ 17.4**	**$ 21.2**	**$ (16.2)**	**$ 94.2**	**$ 1,166.2**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2020	2019
Cash flows related to operating activities			
Income from continuing operations		**$ 130.1**	$ 89.4
Adjustments for:			
Depreciation of property, plant and equipment		**153.1**	151.1
Amortization of intangible assets		**35.9**	28.6
Amortization of right-of-use assets		**9.1**	8.8
(Gain) loss on valuation and translation of financial instruments	5	**(23.3)**	14.3
Impairment of assets	6	**-**	3.5
Amortization of financing costs and long-term debt discount	4	**2.0**	2.0
Deferred income taxes		**(20.5)**	(7.7)
Other		**2.6**	(1.7)
		289.0	288.3
Net change in non-cash balances related to operating activities		**32.6**	(107.8)
Cash flows provided by continuing operating activities		**321.6**	180.5
Cash flows related to investing activities			
Business acquisitions	7	**-**	(23.5)
Business disposals	16	**-**	261.6
Additions to property, plant and equipment		**(80.0)**	(139.8)
Additions to intangible assets		**(102.8)**	(51.2)
Proceeds from disposals of assets		**1.5**	2.6
Other		**(0.6)**	(1.3)
Cash flows (used in) provided by continuing investing activities		**(181.9)**	48.4
Cash flows related to financing activities			
Net change in bank indebtedness		**(12.8)**	3.1
Net change under revolving facilities		**(52.9)**	(180.7)
Repayment of long-term debt		**(0.3)**	(3.9)
Repayment of lease liabilities		**(9.6)**	(9.9)
Issuance of Class B Shares		**-**	2.7
Repurchase of Class B Shares	11	**(34.1)**	(39.5)
Dividends paid to non-controlling interests		**(0.2)**	-
Cash flows used in continuing financing activities		**(109.9)**	(228.2)
Net change in cash and cash equivalents		**29.8**	0.7
Cash flows used in discontinued operations	16	**-**	(2.3)
Cash and cash equivalents at beginning of period		**14.0**	21.3
Cash and cash equivalents at end of period		**$ 43.8**	$ 19.7
Cash and cash equivalents consist of			
Cash		**$ 4.7**	$ 6.5
Cash equivalents		**39.1**	13.2
		$ 43.8	$ 19.7
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 38.9**	$ 47.1
Cash income tax payments (net of refunds)		**23.0**	138.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 43.8**	$ 14.0
Accounts receivable		**541.4**	548.0
Contract assets		**158.8**	160.3
Income taxes		**7.4**	19.1
Inventories		**226.0**	240.4
Other current assets		**126.9**	121.2
		1,104.3	1,103.0
Non-current assets			
Property, plant and equipment		**3,350.6**	3,415.9
Intangible assets		**1,454.4**	1,444.0
Goodwill		**2,692.9**	2,692.9
Right-of-use assets		**126.0**	110.4
Derivative financial instruments		**1,043.9**	679.8
Deferred income taxes		**31.0**	31.2
Other assets		**266.9**	248.7
		8,965.7	8,622.9
Total assets		**$ 10,070.0**	$ 9,725.9
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 16.6**	$ 29.4
Accounts payable, accrued charges and provisions		**809.2**	809.6
Deferred revenue		**326.2**	332.7
Income taxes		**28.9**	4.2
Current portion of long-term debt	8	**45.5**	57.2
Current portion of lease liabilities		**35.5**	31.3
		1,261.9	1,264.4
Non-current liabilities			
Long-term debt	8	**6,163.4**	5,900.3
Derivative financial instruments		**-**	2.1
Convertible debentures		**150.0**	150.0
Lease liabilities		**117.5**	106.6
Deferred income taxes		**854.0**	859.2
Other liabilities		**357.0**	371.2
		7,641.9	7,389.4
Equity			
Capital stock	11	**1,049.6**	1,055.9
Contributed surplus		**17.4**	17.4
Retained earnings (deficit)		**21.2**	(31.7)
Accumulated other comprehensive loss	13	**(16.2)**	(64.1)
Equity attributable to shareholders		**1,072.0**	977.5
Non-controlling interests		**94.2**	94.6
		1,166.2	1,072.1
Contingencies	15		
Total liabilities and equity		**$ 10,070.0**	$ 9,725.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, cable and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

COVID-19 pandemic

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. Since March 2020, in order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential. These measures have curtailed the operations of many of Quebecor's business partners and have led to a significant slowdown in some of Quebecor's segments. Among other impacts, the COVID-19 virus and the measures to prevent its spread have led to a significant reduction in volume at Videotron Ltd ("Videotron")'s retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease of sports events broadcast by the TVA Sports channel, and reduced film and audiovisual content activity in the Media segment; and delays or cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment. Quebecor is however continuing to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and of its employees. Because of the measures put in place by the Québec government to limit the spread of the virus, approximately 10% of Quebecor's workforce are now receiving benefits under the Corporation's supplemental assistance program because they are on stand-by. The program provides additional financial assistance to top up the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit, as the case may be, and minimize the impact of this situation. Given the uncertainty about the ultimate extent and duration of the pandemic, the full impact of the crisis cannot be determined with certainty at this stage.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 13, 2020.

Comparative figures for the previous period have been restated to conform to the presentation adopted for the three-month period ended March 31, 2020.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. REVENUES

	Three months ended March 31	
	2020	2019
Telecommunications:		
Internet	**$ 277.5**	$ 273.6
Cable television	**233.1**	245.2
Mobile telephony	**160.2**	141.4
Cable telephony	**82.8**	87.3
Equipment sales	**76.1**	49.2
Other	**45.0**	44.0
Media:		
Advertising	**77.8**	83.9
Subscription	**51.8**	50.8
Other	**45.2**	38.0
Sports and Entertainment	**34.8**	40.4
Inter-segments	**(28.8)**	(26.5)
	$ 1,055.5	$ 1,027.3

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2020	2019
Employee costs	**$ 229.9**	$ 233.0
Less employee costs capitalized to property, plant and equipment and intangible assets	**(51.9)**	(51.2)
	178.0	181.8
Purchase of goods and services:		
Royalties, rights and creation costs	**168.5**	169.3
Cost of products sold	**97.1**	93.0
Service contracts	**46.4**	37.5
Marketing, circulation and distribution expenses	**21.1**	23.2
Other	**107.7**	101.8
	440.8	424.8
	$ 618.8	$ 606.6

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2020	2019
Interest on long-term debt and on debentures	**$ 77.2**	$ 77.5
Amortization of financing costs and long-term debt discount	**2.0**	2.0
Interest on lease liabilities	**2.0**	1.9
Interest on net defined benefit liability	**1.9**	1.8
Loss (gain) on foreign currency translation on short-term monetary items	**4.6**	(0.8)
Other	**(0.3)**	(0.3)
	$ 87.4	$ 82.1

5. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2020	2019
(Gain) loss on embedded derivatives related to convertible debentures	**$ (22.5)**	$ 13.6
Other	**(0.8)**	0.7
	$ (23.3)	$ 14.3

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2020, a net charge of $3.9 million was recorded for non-recurring costs across the organization relating to the COVID-19 crisis and restructuring initiatives (a net charge of $5.0 million in 2019 related to cost reduction initiatives).

During the first quarter of 2019, impairment charge of assets of $3.5 million was recorded as a result of restructuring initiatives.

7. BUSINESS ACQUISITIONS

On February 13, 2019, TVA Group Inc. (“TVA Group”) acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consisted mainly of intangible assets and goodwill.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. LONG TERM DEBT

Components of long-term debt are as follows:

	March 31, 2020	December 31, 2019
Long-term debt	**$ 6,224.4**	$ 5,986.1
Change in fair value related to hedged interest rate risk	**20.3**	9.1
Financing fees, net of amortization	**(35.8)**	(37.7)
	6,208.9	5,957.5
Less current portion	**(45.5)**	(57.2)
	$ 6,163.4	$ 5,900.3

On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions.

9. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on March 11, 2020 on Quebecor Class B Shares triggered an adjustment to the floor price and ceiling price then in effect. Effective on March 26, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $26.57 per share (that is, a maximum number of approximately 5,644,430 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $33.22 per share (that is, a minimum number of approximately 4,515,544 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended March 31	
	2020	2019
Income from continuing operations attributable to shareholders	**$ 130.3**	$ 91.5
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(21.9)**	(0.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 108.4**	$ 91.4
Net income attributable to shareholders	**$ 131.6**	$ 189.0
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(21.9)**	(0.2)
Net income attributable to shareholders, adjusted for dilution effect	**$ 109.7**	$ 188.8
Weighted average number of shares outstanding (in millions)	**254.0**	256.0
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**5.9**	0.5
Weighted average number of diluted shares outstanding (in millions)	**259.9**	256.5

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2019	77,213,834	$ 8.6	177,415,407	$ 1,047.3
Class A Shares converted into Class B Shares	(1,300)	–	1,300	–
Shares purchased and cancelled	–	–	(1,059,100)	(6.3)
Balance as of March 31, 2020	**77,212,534**	**$ 8.6**	**176,357,607**	**$ 1,041.0**

On August 7, 2019, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 4,000,000 Class B Shares representing approximately 2.2% of issued and outstanding Class B Shares as of August 1, 2019. The purchases can be made from August 15, 2019 to August 14, 2020, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the three-month period ended March 31, 2020, the Corporation purchased and cancelled 1,059,100 Class B Shares for a total cash consideration of $34.1 million (1,319,600 Class B Shares for a total cash consideration of $39.5 million in 2019). The excess of $27.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of $31.7 million in 2019).

During the three-month period ended March 31, 2019, the Corporation issued 180,000 Class B Shares upon exercised of stock option for a cash consideration of $2.7 million. As a result of this transaction, contributed surplus was increased by $3.0 million and stock-based compensation liability was reduced by the same amount.

On May 13, 2020, the Board of Directors of the Corporation declared a dividend of $0.20 per share on Class A Shares and Class B Shares, or approximately $50.7 million, payable on June 23, 2020, to shareholders of record at the close of business on May 29, 2020.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2020:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2019	2,504,892	$ 29.21
Cancelled	(50,000)	32.20
As of March 31, 2020	**2,454,892**	**$ 29.15**
Vested options as of March 31, 2020	**–**	**$ –**
Quebecor Media		
As of December 31, 2019	129,200	$ 65.41
Exercised	(56,500)	63,18
As of March 31, 2020	**72,700**	**$ 67,14**
Vested options as of March 31, 2020	**72,700**	**$ 67,14**
TVA Group		
As of December 31, 2019 and March 31, 2020	**515,000**	**$ 2.43**
Vested options as of March 31, 2020	**35,000**	**$ 6.85**

During the three-month period ended March 31, 2020, 56,500 stock options of Quebecor Media were exercised for a cash consideration of $3.4 million (66,950 stock options for $3.3 million in 2019). During the three-month period ended March 31, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor (Note 11).

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") and performance share unit ("PSU") plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2020, 149,456 DSUs based on Quebecor Class B Shares and 225,290 DSUs based on TVA Group Class B Shares were outstanding under these plans. As of March 31, 2020, there is no outstanding PSUs. During the first quarter of 2020, a cash consideration of $4.8 million was paid upon PSUs redemption ($5.4 million in 2019).

Stock-based compensation expense

For the three-month period ended March 31, 2020, a reversal of the consolidated charge related to all stock-based compensation plans was recorded in the amount of $1.9 million (a charge of $6.5 million in 2019).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

	Cash flow hedges	Defined benefit plans	Total
Balance as of December 31, 2018	$ (30.7)	$ (52.0)	$ (82.7)
Other comprehensive loss	(12.8)	–	(12.8)
Balance as of March 31, 2019	(43.5)	(52.0)	(95.5)
Other comprehensive income (loss)	83.4	(52.0)	31.4
Balance as of December 31, 2019	39.9	(104.0)	(64.1)
Other comprehensive income	47.9	–	47.9
Balance as of March 31, 2020	**$ 87.8**	**$ (104.0)**	**$ (16.2)**

No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7-year period.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2020 and December 31, 2019 are as follows:

	March 31, 2020		December 31, 2019	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,224.4)**	**$ (6,135.6)**	$ (5,986.1)	$ (6,376.2)
Convertible debentures[2]	**(139.8)**	**(139.8)**	(162.0)	(162.0)
Derivative financial instruments				
Foreign exchange forward contracts	**7.5**	**7.5**	(2.1)	(2.1)
Cross-currency interest rate swaps	**1,036.4**	**1,036.4**	679.8	679.8

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

15. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, by which the large cable and telephone companies provide aggregated wholesale access to their high-speed internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation consolidated financial statements. The new proposed rates are substantially lower than interim rates and could represent a retrospective reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 13, 2019, a coalition of cable companies (including Videotron) and Bell Canada filed separate appeals of the CRTC's order with the Federal Court of Appeal arguing, among other things, that the order is marked by numerous errors of law and jurisdiction resulting in wholesale rates that are unreasonably low. The cable companies and Bell Canada also filed separate requests to stay the implementation of the order pending disposition of their appeals. On November 22, 2019, the leave to appeal was granted by the Federal Court of Appeal and the interim stay of the CRTC's order granted by this court on September 27, 2019, was extended until a final ruling by the Federal Court of Appeal is made. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

16. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data center operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron during the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments.

This is Exhibit 65 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2020 and 2019

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Revenues	2	**$ 1,111.7**	$ 1,073.4	**$ 3,171.0**	$ 3,157.6
Employee costs	3	**156.5**	162.6	**471.2**	516.6
Purchase of goods and services	3	**441.8**	401.5	**1,274.0**	1,256.0
Depreciation and amortization		**195.9**	187.0	**589.7**	564.1
Financial expenses	4	**80.1**	81.2	**249.1**	246.1
Loss (gain) on valuation and translation of financial instruments	5	**18.6**	(6.0)	**(8.9)**	(8.1)
Restructuring of operations and other items	6	**18.9**	1.2	**33.1**	27.0
Income before income taxes		**199.9**	245.9	**562.8**	555.9
Income taxes (recovery):					
Current		**60.7**	29.7	**181.0**	115.1
Deferred		**(4.3)**	33.5	**(33.3)**	30.3
		56.4	63.2	**147.7**	145.4
Income from continuing operations		**143.5**	182.7	**415.1**	410.5
Income from discontinued operations	17	**-**	-	**33.8**	97.5
Net income		**$ 143.5**	$ 182.7	**$ 448.9**	$ 508.0
Income from continuing operations attributable to					
Shareholders		**$ 140.9**	$ 178.5	**$ 413.6**	$ 410.2
Non-controlling interests		**2.6**	4.2	**1.5**	0.3
Net income attributable to					
Shareholders		**$ 140.9**	$ 178.5	**$ 447.4**	$ 507.7
Non-controlling interests		**2.6**	4.2	**1.5**	0.3
Earnings per share attributable to shareholders	11				
Basic:					
From continuing operations		**$ 0.56**	$ 0.70	**$ 1.64**	$ 1.60
From discontinued operations		**-**	-	**0.13**	0.38
Net income		**0.56**	0.70	**1.77**	1.98
Diluted:					
From continuing operations		**0.56**	0.67	**1.58**	1.57
From discontinued operations		**-**	-	**0.13**	0.37
Net income		**0.56**	0.67	**1.71**	1.94
Weighted average number of shares outstanding (in millions)		**250.5**	255.6	**252.4**	255.8
Weighted average number of diluted shares (in millions)		**250.7**	261.7	**258.2**	261.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Income from continuing operations		**$ 143.5**	$ 182.7	**$ 415.1**	$ 410.5
Other comprehensive (loss) income from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		**(25.0)**	41.4	**18.9**	71.6
Deferred income taxes		**6.1**	(6.5)	**(2.5)**	(4.7)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement loss	14	**(25.0)**	-	**(87.0)**	-
Deferred income taxes		**6.6**	-	**22.6**	-
Reclassification to income:					
Gain related to cash flow hedges		**-**	(1.1)	**-**	(1.1)
Deferred income taxes		**-**	0.7	**-**	0.7
		(37.3)	34.5	**(48.0)**	66.5
Comprehensive income from continuing operations		**106.2**	217.2	**367.1**	477.0
Income from discontinued operations	17	**-**	-	**33.8**	97.5
Comprehensive income		**$ 106.2**	$ 217.2	**$ 400.9**	$ 574.5
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		**$ 104.8**	$ 213.0	**$ 370.3**	$ 476.7
Non-controlling interests		**1.4**	4.2	**(3.2)**	0.3
Comprehensive income (loss) attributable to					
Shareholders		**$ 104.8**	$ 213.0	**$ 404.1**	$ 574.2
Non-controlling interests		**1.4**	4.2	**(3.2)**	0.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2020

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 937.9**	**$ 157.2**	**$ 48.5**	**$ (31.9)**	**$ 1,111.7**
Employee costs	**101.4**	**38.6**	**7.5**	**9.0**	**156.5**
Purchase of goods and services	**352.9**	**93.7**	**33.4**	**(38.2)**	**441.8**
Adjusted EBITDA [1]	**483.6**	**24.9**	**7.6**	**(2.7)**	**513.4**
Depreciation and amortization					**195.9**
Financial expenses					**80.1**
Loss on valuation and translation of financial instruments					**18.6**
Restructuring of operations and other items					**18.9**
Income before income taxes					**$ 199.9**
Cash flows used for:					
Additions to property, plant and equipment	**$ 133.9**	**$ 3.4**	**$ 0.1**	**$ 0.7**	**$ 138.1**
Additions to intangible assets	**29.6**	**3.9**	**0.8**	**-**	**34.3**

Three months ended September 30, 2019

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 876.7	$ 167.2	$ 55.8	$ (26.3)	$ 1,073.4
Employee costs	92.2	53.4	9.5	7.5	162.6
Purchase of goods and services	316.8	81.2	39.4	(35.9)	401.5
Adjusted EBITDA [1]	467.7	32.6	6.9	2.1	509.3
Depreciation and amortization					187.0
Financial expenses					81.2
Gain on valuation and translation of financial instruments					(6.0)
Restructuring of operations and other items					1.2
Income before income taxes					$ 245.9
Cash flows used for:					
Additions to property, plant and equipment	$ 117.4	$ 5.0	$ 0.1	$ 0.1	$ 122.6
Additions to intangible assets	57.2	8.5	0.8	(0.1)	66.4

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 2,681.7**	**$ 464.7**	**$ 109.2**	**$ (84.6)**	**$ 3,171.0**
Employee costs	**305.0**	**124.5**	**21.6**	**20.1**	**471.2**
Purchase of goods and services	**994.0**	**303.6**	**81.0**	**(104.6)**	**1,274.0**
Adjusted EBITDA[1]	**1,382.7**	**36.6**	**6.6**	**(0.1)**	**1,425.8**
Depreciation and amortization					**589.7**
Financial expenses					**249.1**
Gain on valuation and translation of financial instruments					**(8.9)**
Restructuring of operations and other items					**33.1**
Income before income taxes					**$ 562.8**
Cash flows used for:					
Additions to property, plant and equipment	**$ 312.3**	**$ 11.2**	**$ 0.2**	**$ 1.1**	**$ 324.8**
Additions to intangible assets	**165.7**	**17.0**	**2.3**	**0.1**	**185.1**

Nine months ended September 30, 2019

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 2,571.8	$ 530.0	$ 137.5	$ (81.7)	$ 3,157.6
Employee costs	291.8	170.8	29.1	24.9	516.6
Purchase of goods and services	939.3	319.7	103.7	(106.7)	1,256.0
Adjusted EBITDA[1]	1,340.7	39.5	4.7	0.1	1,385.0
Depreciation and amortization					564.1
Financial expenses					246.1
Gain on valuation and translation of financial instruments					(8.1)
Restructuring of operations and other items					27.0
Income before income taxes					$ 555.9
Cash flows used for:					
Additions to property, plant and equipment	$ 361.2	$ 13.7	$ 1.1	$ 1.3	$ 377.3
Additions to intangible assets	402.3	19.1	2.9	0.2	424.5

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 12)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss (note 14)		
Balance as of December 31, 2018	$ 1,065.9	$ 4.7	$ (507.9)	$ (82.7)	$ 88.5	$ 568.5
Net income	-	-	507.7	-	0.3	508.0
Other comprehensive income	-	-	-	66.5	-	66.5
Issuance of Class B Shares	2.7	3.0	-	-	-	5.7
Dividends	-	-	(71.6)	-	-	(71.6)
Repurchase of Class B Shares	(15.7)	-	(64.8)	-	-	(80.5)
Balance as of September 30, 2019	1,052.9	7.7	(136.6)	(16.2)	88.8	996.6
Net income	-	-	145.1	-	5.2	150.3
Other comprehensive (loss) income	-	-	-	(47.9)	0.6	(47.3)
Dividends	-	-	(28.7)	-	-	(28.7)
Issuance of Class B Shares	5.6	9.7	-	-	-	15.3
Repurchase of Class B Shares	(2.6)	-	(11.5)	-	-	(14.1)
Balance as of December 31, 2019	1,055.9	17.4	(31.7)	(64.1)	94.6	1,072.1
Net income	-	-	447.4	-	1.5	448.9
Other comprehensive loss	-	-	-	(43.3)	(4.7)	(48.0)
Dividends	-	-	(151.3)	-	(0.2)	(151.5)
Repurchase of Class B Shares	(27.7)	-	(115.7)	-	-	(143.4)
Balance as of September 30, 2020	**$ 1,028.2**	**$ 17.4**	**$ 148.7**	**$ (107.4)**	**$ 91.2**	**$ 1,178.1**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2020	Three months ended September 30 2019	Nine months ended September 30 2020	Nine months ended September 30 2019
Cash flows related to operating activities					
Income from continuing operations		**$ 143.5**	$ 182.7	**$ 415.1**	$ 410.5
Adjustments for:					
Depreciation of property, plant and equipment		**149.5**	148.4	**455.3**	450.2
Amortization of intangible assets		**37.0**	29.7	**107.2**	87.1
Amortization of right-of-use assets		**9.4**	8.9	**27.2**	26.8
Loss (gain) on valuation and translation of financial instruments	5	**18.6**	(6.0)	**(8.9)**	(8.1)
Impairment of assets	6	**7.3**	-	**7.3**	18.8
Amortization of financing costs and long-term debt discount	4	**2.0**	2.1	**6.1**	6.1
Deferred income taxes		**(4.3)**	33.5	**(33.3)**	30.3
Other		**(0.3)**	0.2	**(0.1)**	(1.9)
		362.7	399.5	**975.9**	1,019.8
Net change in non-cash balances related to operating activities		**(23.3)**	(20.5)	**78.6**	(171.1)
Cash flows provided by continuing operating activities		**339.4**	379.0	**1,054.5**	848.7
Cash flows related to investing activities					
Business acquisitions	7	**-**	(1.0)	**(10.8)**	(35.6)
Business disposals	17	**-**	-	**-**	260.7
Additions to property, plant and equipment		**(138.1)**	(122.6)	**(324.8)**	(377.3)
Additions to intangible assets	8	**(34.3)**	(66.4)	**(185.1)**	(424.5)
Proceeds from disposals of assets		**1.4**	0.5	**3.6**	3.2
Other		**(48.5)**	(17.8)	**(51.4)**	(25.0)
Cash flows used in continuing investing activities		**(219.5)**	(207.3)	**(568.5)**	(598.5)
Cash flows related to financing activities					
Net change in bank indebtedness		**(5.4)**	6.9	**(14.2)**	4.0
Net change under revolving facilities		**10.3**	251.3	**(124.9)**	281.3
Repayment of long-term debt		**(0.4)**	(435.4)	**(1.0)**	(443.4)
Repayment of lease liabilities		**(10.8)**	(9.4)	**(31.3)**	(29.9)
Settlement of hedging contracts		**-**	91.6	**(0.8)**	90.8
Issuance of Class B Shares		**-**	-	**-**	2.7
Repurchase of Class B Shares	12	**(47.8)**	(41.0)	**(143.4)**	(80.5)
Dividends		**(50.1)**	(28.7)	**(151.3)**	(71.6)
Dividends paid to non-controlling interests		**-**	-	**(0.2)**	-
Cash flows used in continuing financing activities		**(104.2)**	(164.7)	**(467.1)**	(246.6)
Cash flows provided by continuing operations		**15.7**	7.0	**18.9**	3.6
Cash flows provided by (used in) discontinued operations	17	**-**	-	**7.8**	(0.7)
Cash and cash equivalents at beginning of period		**25.0**	17.2	**14.0**	21.3
Cash and cash equivalents at end of period		**$ 40.7**	$ 24.2	**$ 40.7**	$ 24.2
Cash and cash equivalents consist of					
Cash		**$ 39.5**	$ 15.7	**$ 39.5**	$ 15.7
Cash equivalents		**1.2**	8.5	**1.2**	8.5
		$ 40.7	$ 24.2	**$ 40.7**	$ 24.2
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 41.3**	$ 45.5	**$ 198.5**	$ 203.3
Cash income tax payments (net of refunds)		**70.7**	54.2	**93.6**	235.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2020	December 31 2019
Assets			
Current assets			
Cash and cash equivalents		**$ 40.7**	$ 14.0
Accounts receivable		**596.1**	548.0
Contract assets		**164.9**	160.3
Income taxes		**5.6**	19.1
Inventories		**211.4**	240.4
Other current assets		**115.0**	121.2
		1,133.7	1,103.0
Non-current assets			
Property, plant and equipment		**3,281.4**	3,415.9
Intangible assets		**1,509.9**	1,444.0
Goodwill		**2,692.9**	2,692.9
Right-of-use assets		**137.2**	110.4
Derivative financial instruments		**800.2**	679.8
Deferred income taxes		**44.5**	31.2
Other assets		**289.0**	248.7
		8,755.1	8,622.9
Total assets		**$ 9,888.8**	$ 9,725.9
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 15.2**	$ 29.4
Accounts payable, accrued charges and provisions		**784.2**	809.6
Deferred revenue		**326.2**	332.7
Income taxes		**78.1**	4.2
Current portion of long-term debt	9	**30.6**	57.2
Current portion of lease liabilities		**34.3**	31.3
		1,268.6	1,264.4
Non-current liabilities			
Long-term debt	9	**5,908.8**	5,900.3
Derivative financial instruments		**1.6**	2.1
Convertible debentures		**150.0**	150.0
Lease liabilities		**133.7**	106.6
Deferred income taxes		**824.1**	859.2
Other liabilities		**423.9**	371.2
		7,442.1	7,389.4
Equity			
Capital stock	12	**1,028.2**	1,055.9
Contributed surplus		**17.4**	17.4
Retained earnings (deficit)		**148.7**	(31.7)
Accumulated other comprehensive loss	14	**(107.4)**	(64.1)
Equity attributable to shareholders		**1,086.9**	977.5
Non-controlling interests		**91.2**	94.6
		1,178.1	1,072.1
Contingencies	16		
Total liabilities and equity		**$ 9,888.8**	$ 9,725.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. (“Quebecor” or the “Corporation”) is incorporated under the laws of Québec. The Corporation’s head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. (“Quebecor Media”). Unless the context otherwise requires, Quebecor or the Corporation refer to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers television distribution, Internet access, business solutions, wireline and mobile telephony and over-the-top video services in Canada and is engaged in the rental of movies and televisual products through its video-on-demand service. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of Internet portals and specialized Web sites, the publishing and distribution of magazines, the production and distribution of audiovisual content and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

<u>COVID-19 pandemic</u>

The COVID-19 pandemic is having a significant impact on the economic environment in Canada and around the world. On March 13, 2020, in order to limit the spread of the virus, the Québec government imposed a number of restrictions and special preventive measures, including the suspension of business activities deemed non-essential across Québec. Since then, the Québec government has gradually implemented a reopening plan, which was followed at the end of September by a second set of restrictions due to the second wave of the pandemic. This new plan includes regional restrictions according to the alert level of each region and remains subject to change as the pandemic evolves. This health crisis curtailed the operations of many of Quebecor’s business partners and led to a significant slowdown in some of Quebecor’s segments in the first nine months of 2020. Among other impacts, the first wave of measures to prevent the spread of the COVID-19 virus has led to a significant reduction in volume at Videotron Ltd.’s (“Videotron”) retail outlets and delays in client migration to its new Helix entertainment and home management platform; lower advertising revenues, a significant decrease in sports events broadcast by the TVA Sports channel, and reduced film and audiovisual content activity in the Media segment; and cancellations of shows and events, and interruption of music and book distribution activities in the Sports and Entertainment segment. Activity has since partly resumed at some of Quebecor’s affected business units by the health crisis, particularly those involved in retail sales and distribution, sports broadcasting and film and audiovisual content production. However, the business slowdown continues and the recovery remains very fragile, particularly with the pandemic entering its second wave. Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Because of the slowdown in the economy, approximately 10% of Quebecor’s workforce has received benefits under the Corporation’s assistance program while on stand-by. During the health crisis, this program provides financial assistance in addition to the Canada Emergency Wage Subsidy or Canada Emergency Response Benefit programs. Most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Emergency Wage Subsidy, and provisions for subsidies were recorded in 2020 as a reduction in employee costs, including $25.6 million in TVA Group Inc. (“TVA Group”). Given the uncertainty about the evolution of the pandemic, the full impact of the crisis over its duration cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2019 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 4, 2020.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2020.

2. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Telecommunications:				
Internet	**$ 285.5**	$ 279.3	**$ 839.1**	$ 831.6
Television	**222.7**	242.2	**683.6**	734.9
Mobile telephony	**168.4**	155.7	**488.3**	443.5
Wireline telephony	**85.4**	84.4	**255.1**	257.4
Equipment sales	**130.5**	69.6	**280.5**	170.2
Other	**45.4**	45.5	**135.1**	134.2
Media:				
Advertising	**66.9**	67.9	**198.8**	244.4
Subscription	**49.9**	52.0	**149.6**	155.8
Other	**40.4**	47.3	**116.3**	129.8
Sports and Entertainment	**48.5**	55.8	**109.2**	137.5
Inter-segments	**(31.9)**	(26.3)	**(84.6)**	(81.7)
	$ 1,111.7	$ 1,073.4	**$ 3,171.0**	$ 3,157.6

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Employee costs	**$ 202.4**	$ 214.4	**$ 621.0**	$ 676.5
Less employee costs capitalized to property, plant and equipment and intangible assets	**(45.9)**	(51.8)	**(149.8)**	(159.9)
	156.5	162.6	**471.2**	516.6
Purchase of goods and services:				
Royalties, rights and creation costs	**158.0**	143.4	**495.2**	496.2
Cost of products sold	**143.5**	105.5	**331.5**	285.9
Service contracts	**54.1**	40.3	**141.2**	114.2
Marketing, circulation and distribution expenses	**20.8**	27.8	**54.1**	74.0
Other	**65.4**	84.5	**252.0**	285.7
	441.8	401.5	**1,274.0**	1,256.0
	$ 598.3	$ 564.1	**$ 1,745.2**	$ 1,772.6

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Interest on long-term debt and on debentures	**$ 75.9**	$ 74.6	**$ 229.3**	$ 229.2
Amortization of financing costs and long-term debt discount	**2.0**	2.1	**6.1**	6.1
Interest on lease liabilities	**1.9**	2.0	**5.7**	6.0
Interest on net defined benefit liability	**1.9**	1.8	**5.8**	5.4
(Gain) loss on foreign currency translation on short-term monetary items	**(1.6)**	(0.1)	**1.4**	(1.5)
Other	**–**	0.8	**0.8**	0.9
	$ 80.1	$ 81.2	**$ 249.1**	$ 246.1

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Loss (gain) on embedded derivatives related to convertible debentures	**$ 17.8**	$ (4.2)	**$ (9.4)**	$ (7.0)
Other	**0.8**	(1.8)	**0.5**	(1.1)
	$ 18.6	$ (6.0)	**$ (8.9)**	$ (8.1)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2020, charges of $11.6 million and $25.8 million were recorded in connection with cost reduction initiatives in the Corporation's various segments ($1.2 million and $8.2 million in 2019).

Impairment charges on assets of $7.3 million were also recorded as a result of restructuring initiatives during the three-month and nine-month periods ended September 30, 2020 ($18.8 million in the nine-month period of 2019).

7. BUSINESS ACQUISITIONS

On June 17, 2020, the Sports and Entertainment segment acquired the Théâtre Capitole, a concert hall in Québec, for a cash consideration of $10.8 million, net of an assumed working capital liability. The acquired assets consist mainly of the building and equipment.

On February 13, 2019, TVA Group acquired the companies in the Serdy Média inc. and Serdy Video Inc. groups, including the Évasion and Zeste specialty channels, for a total cash consideration of $23.5 million, net of cash acquired of $0.5 million. An amount of $1.6 million relating to certain post-closing adjustments was also paid during the third quarter of 2019. The acquired assets consisted mainly of intangible assets and goodwill.

On April 1, 2019, TVA Group acquired the Incendo Media Inc. group, a Montréal-based producer and distributor of television programs for international markets, for a cash consideration of $11.1 million (net of cash acquired of $0.9 million) and a balance payable at fair value of $6.8 million. An amount of $0.6 million relating to certain post-closing adjustment was also received during the third quarter of 2019. The purchase price is subject to adjustments relating to the achievement of future conditions. The acquired assets consist mainly of intangible assets and goodwill.

8. SPECTRUM LICENCES

On April 10, 2019, Videotron acquired ten 600 MHz spectrum licences covering Eastern, Southern and Northern Québec, as well as Outaouais and Eastern Ontario regions for a total price of $255.8 million.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	September 30, 2020	December 31, 2019
Total long-term debt	**$ 5,952.1**	$ 5,986.1
Change in fair value related to hedged interest rate risk	**19.0**	9.1
Financing fees, net of amortization	**(31.7)**	(37.7)
	5,939.4	5,957.5
Less current portion	**(30.6)**	(57.2)
	$ 5,908.8	$ 5,900.3

As of September 30, 2020, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was $3,820.6 million ($3,718.8 million as of December 31, 2019) while the net fair value of related hedging derivative instruments was in an asset position of $800.2 million ($679.8 million as of December 31, 2019).

On July 15, 2020, the revolving credit facility of Quebecor in an amount of $50.0 million expired and was not renewed.

On February 21, 2020, TVA Group amended its secured revolving credit facility to extend its term from February 2020 to February 2021, to reduce the amount available for borrowing from $150.0 million to $75.0 million and to amend certain terms and conditions.

10. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on March 11, 2020 on Quebecor Class B Subordinate Voting Shares (“Class B Shares”) triggered an adjustment to the floor price and ceiling price then in effect. Effective on March 26, 2020, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $26.57 per share (that is, a maximum number of approximately 5,644,430 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $33.22 per share (that is, a minimum number of approximately 4,515,544 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2020 and 2019
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on the number of shares outstanding and on net income attributable to shareholders.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	**2020**	2019
Income from continuing operations attributable to shareholders	**$ 140.9**	$ 178.5	**$ 413.6**	$ 410.2
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(0.1)**	(3.3)	**(6.3)**	1.0
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 140.8**	$ 175.2	**$ 407.3**	$ 411.2
Net income attributable to shareholders	**$ 140.9**	$ 178.5	**$ 447.4**	$ 507.7
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(0.1)**	(3.3)	**(6.3)**	1.0
Net income attributable to shareholders, adjusted for dilution effect	**$ 140.8**	$ 175.2	**$ 441.1**	$ 508.7
Weighted average number of shares outstanding (in millions)	**250.5**	255.6	**252.4**	255.8
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**0.2**	6.1	**5.8**	6.1
Weighted average number of diluted shares outstanding (in millions)	**250.7**	261.7	**258.2**	261.9

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2019	77,213,834	$ 8.6	177,415,407	$ 1,047.3
Class A Shares converted into Class B Shares	(102,100)	–	102,100	–
Shares purchased and cancelled	–	–	(4,695,800)	(27.7)
Balance as of September 30, 2020	**77,111,734**	**$ 8.6**	**172,821,707**	**$ 1,019.6**

On August 5, 2020, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2020, the Corporation purchased and cancelled 4,695,800 Class B Shares for a total cash consideration of $143.4 million (2,672,056 Class B Shares for a total cash consideration of $80.5 million in 2019). The excess of $115.7 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings (an increase of the deficit of $64.8 million in 2019).

During the nine-month period ended September 30, 2019, the Corporation issued 180,000 Class B Shares upon exercise of stock options for a cash consideration of $2.7 million. As a result of this transaction, contributed surplus was increased by $3.0 million and stock-based compensation liability was reduced by the same amount.

On November 4, 2020, the Board of Directors of the Corporation declared a dividend of $0.20 per share on Class A Shares and Class B Shares, or approximately $50.0 million, payable on December 15, 2020, to shareholders of record at the close of business on November 20, 2020.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the nine-month period ended September 30, 2020:

	Outstanding options		
	Number		Weighted average exercise price
Quebecor			
As of December 31, 2019	2,504,892	$	29.21
Granted	1,342,267		33.19
Cancelled	(101,200)		30.33
As of September 30, 2020	**3,745,959**	**$**	**30.61**
Vested options as of September 30, 2020	**–**	**$**	**–**
Quebecor Media			
As of December 31, 2019	129,200	$	65.41
Exercised	(77,500)		64.82
As of September 30, 2020	**51,700**	**$**	**66.30**
Vested options as of September 30, 2020	**51,700**	**$**	**66.30**
TVA Group			
As of December 31, 2019	515,000	$	2.43
Granted	310,000		1.40
Cancelled	(10,000)		2.16
As of September 30, 2020	**815,000**	**$**	**2.04**
Vested options as of September 30, 2020	**35,000**	**$**	**6.85**

During the three-month period ended September 30, 2020, 5,000 stock options of Quebecor Media were exercised for a cash consideration of $0.2 million (38,950 stock options for $1.9 million in 2019). During the nine-month period ended September 30, 2020, 77,500 stock options of Quebecor Media were exercised for a cash consideration of $4.5 million (147,400 stock options for $7.4 million in 2019). During the nine-month period ended September 30, 2019, 180,000 Class B Shares of the Corporation were issued upon exercise of stock options of Quebecor (Note 12).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS (continued)

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) and performance share unit (“PSU”) plans are based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be, and the PSUs vest over three years and will be redeemed for cash at the end of this period subject to the achievement of financial targets. DSUs and PSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of September 30, 2020, 147,917 DSUs based on Quebecor Class B Shares and 204,598 DSUs based on TVA Group Class B Shares were outstanding under these plans. As of September 30, 2020, there is no PSUs outstanding. During the first quarter of 2020, a cash consideration of $4.8 million was paid upon PSUs redemption ($5.4 million in 2019).

Stock-based compensation expense

For the three-month period ended September 30, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $5.2 million ($1.2 million in 2019). For the nine-month period ended September 30, 2020, a consolidated charge related to all stock-based compensation plans was recorded in the amount of $3.6 million ($7.9 million in 2019).

14. ACCUMULATED OTHER COMPREHENSIVE LOSS

		Cash flow hedges[1]		Defined benefit plans[2]		Total
Balance as of December 31, 2018	$	(30.3)	$	(52.4)	$	(82.7)
Other comprehensive income		66.5		–		66.5
Balance as of September 30, 2019		36.2		(52.4)		(16.2)
Other comprehensive income (loss)		4.1		(52.0)		(47.9)
Balance as of December 31, 2019		40.3		(104.4)		(64.1)
Other comprehensive income (loss)		16.4		(59.7)		(43.3)
Balance as of September 30, 2020	**$**	**56.7**	**$**	**(164.1)**	**$**	**(107.4)**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 1/2-year period.

2 The re-measurement loss in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2020 is mainly due to a decrease of the discount rate since December 31, 2019.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instruments and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2020 and December 31, 2019 are as follows:

	September 30, 2020		December 31, 2019	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (5,952.1)**	**$ (6,328.1)**	$ (5,986.1)	$ (6,376.2)
Convertible debentures[2]	**(153.2)**	**(153.2)**	(162.0)	(162.0)
Derivative financial instruments				
Foreign exchange forward contracts	**(1.6)**	**(1.6)**	(2.1)	(2.1)
Cross-currency interest rate swaps	**800.2**	**800.2**	679.8	679.8

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

16. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation's consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately $30.0 million (before income taxes) for the year 2020 and a retrospective reduction of approximately $52.0 million (before income taxes) from March 31, 2016 to December 31, 2019. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

17. DISCONTINUED OPERATIONS

On January 24, 2019, Videotron sold its 4Degrees Colocation Inc. data center operations for an amount of $261.6 million, which was fully paid in cash at the date of transaction. An amount of $0.9 million relating to a working capital adjustment was also paid by Videotron during the second quarter of 2019. The determination of the final proceeds from the sale is however subject to certain adjustments based on the realization of future conditions over a period of up to 10 years. Accordingly, a gain on disposal of $97.2 million, net of income taxes of $18.5 million, was accounted for in the first quarter of 2019, while an amount of $53.1 million from the proceeds received at the date of transaction was deferred in connection with the estimated present value of the future conditional adjustments. In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions were achieved.

This is Exhibit 66 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and six-month periods ended June 30, 2021 and 2020

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Revenues	2	**$ 1,131.2**	$ 1,003.8	**$ 2,222.3**	$ 2,059.3
Employee costs	3	**169.5**	136.7	**345.9**	314.7
Purchase of goods and services	3	**460.3**	391.4	**922.3**	832.2
Depreciation and amortization		**196.6**	195.7	**391.9**	393.8
Financial expenses	4	**87.0**	81.6	**170.1**	169.0
Gain on valuation and translation of financial instruments	5	**(7.0)**	(4.2)	**(1.2)**	(27.5)
Restructuring of operations and other items	6	**(20.6)**	10.3	**(16.1)**	14.2
Loss on debt refinancing	8	**80.9**	-	**80.9**	-
Income before income taxes		**164.5**	192.3	**328.5**	362.9
Income taxes (recovery):					
Current		**64.4**	59.3	**127.8**	120.3
Deferred		**(24.6)**	(8.5)	**(44.0)**	(29.0)
		39.8	50.8	**83.8**	91.3
Income from continuing operations		**124.7**	141.5	**244.7**	271.6
Income from discontinued operations	16	**-**	32.5	**-**	33.8
Net income		**$ 124.7**	$ 174.0	**$ 244.7**	$ 305.4
Income (loss) from continuing operations attributable to					
Shareholders		**$ 123.5**	$ 142.4	**$ 244.8**	$ 272.7
Non-controlling interests		**1.2**	(0.9)	**(0.1)**	(1.1)
Net income (loss) attributable to					
Shareholders		**$ 123.5**	$ 174.9	**$ 244.8**	$ 306.5
Non-controlling interests		**1.2**	(0.9)	**(0.1)**	(1.1)
Earnings per share attributable to shareholders	10				
Basic:					
From continuing operations		**$ 0.50**	$ 0.56	**$ 1.00**	$ 1.08
From discontinued operations		**-**	0.13	**-**	0.13
Net income		**0.50**	0.69	**1.00**	1.21
Diluted:					
From continuing operations		**0.47**	0.54	**0.98**	0.96
From discontinued operations		**-**	0.12	**-**	0.13
Net income		**0.47**	0.66	**0.98**	1.09
Weighted average number of shares outstanding (in millions)		**245.0**	252.8	**245.8**	253.4
Weighted average number of diluted shares (in millions)		**249.9**	258.6	**250.7**	259.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Income from continuing operations		**$ 124.7**	$ 141.5	**$ 244.7**	$ 271.6
Other comprehensive (loss) income from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
(Loss) gain on valuation of derivative financial instruments		**(1.6)**	(19.0)	**(4.2)**	43.9
Deferred income taxes		**2.9**	6.4	**4.8**	(8.6)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement (loss) gain	13	**(2.5)**	(62.0)	**174.5**	(62.0)
Deferred income taxes		**0.5**	16.0	**(46.4)**	16.0
Reclassification to income:	8				
Gain related to cash flow hedges		**(1.0)**	-	**(1.0)**	-
Deferred income taxes		**0.6**	-	**0.6**	-
		(1.1)	(58.6)	**128.3**	(10.7)
Comprehensive income from continuing operations		**123.6**	82.9	**373.0**	260.9
Income from discontinued operations	16	**-**	32.5	**-**	33.8
Comprehensive income		**$ 123.6**	$ 115.4	**$ 373.0**	$ 294.7
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		**$ 120.8**	$ 87.3	**$ 364.7**	$ 265.5
Non-controlling interests		**2.8**	(4.4)	**8.3**	(4.6)
Comprehensive income (loss) attributable to					
Shareholders		**$ 120.8**	$ 119.8	**$ 364.7**	$ 299.3
Non-controlling interests		**2.8**	(4.4)	**8.3**	(4.6)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2021

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 928.4**	**$ 198.2**	**$ 33.5**	**$ (28.9)**	**$ 1,131.2**
Employee costs	**101.7**	**55.9**	**7.1**	**4.8**	**169.5**
Purchase of goods and services	**345.2**	**125.6**	**23.3**	**(33.8)**	**460.3**
Adjusted EBITDA [1]	**481.5**	**16.7**	**3.1**	**0.1**	**501.4**
Depreciation and amortization					**196.6**
Financial expenses					**87.0**
Gain on valuation and translation of financial instruments					**(7.0)**
Restructuring of operations and other items					**(20.6)**
Loss on debt refinancing					**80.9**
Income before income taxes					**$ 164.5**
Cash flows used for:					
Additions to property, plant and equipment	**$ 101.3**	**$ 3.3**	**$ -**	**$ 0.9**	**$ 105.5**
Additions to intangible assets	**42.1**	**7.1**	**0.6**	**0.6**	**50.4**

Three months ended June 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 869.1	$ 132.7	$ 25.9	$ (23.9)	$ 1,003.8
Employee costs	100.7	26.2	4.1	5.7	136.7
Purchase of goods and services	304.8	98.9	19.0	(31.3)	391.4
Adjusted EBITDA [1]	463.6	7.6	2.8	1.7	475.7
Depreciation and amortization					195.7
Financial expenses					81.6
Gain on valuation and translation of financial instruments					(4.2)
Restructuring of operations and other items					10.3
Income before income taxes					$ 192.3
Cash flows used for:					
Additions to property, plant and equipment	$ 104.8	$ 1.6	$ -	$ 0.3	$ 106.7
Additions to intangible assets	41.0	6.2	0.7	0.1	48.0

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2021

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 1,842.4**	**$ 373.0**	**$ 64.7**	**$ (57.8)**	**$ 2,222.3**
Employee costs	**206.2**	**111.0**	**14.6**	**14.1**	**345.9**
Purchase of goods and services	**703.8**	**244.0**	**44.9**	**(70.4)**	**922.3**
Adjusted EBITDA[1]	**932.4**	**18.0**	**5.2**	**(1.5)**	**954.1**
Depreciation and amortization					**391.9**
Financial expenses					**170.1**
Gain on valuation and translation of financial instruments					**(1.2)**
Restructuring of operations and other items					**(16.1)**
Loss on debt refinancing					**80.9**
Income before income taxes					**$ 328.5**
Cash flows used for:					
Additions to property, plant and equipment	**$ 208.9**	**$ 7.1**	**$ 0.1**	**$ 1.2**	**$ 217.3**
Additions to intangible assets	**93.4**	**13.2**	**1.5**	**1.1**	**109.2**

Six months ended June 30, 2020

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 1,743.8	$ 307.5	$ 60.7	$ (52.7)	$ 2,059.3
Employee costs	203.6	85.9	14.1	11.1	314.7
Purchase of goods and services	641.1	209.9	47.6	(66.4)	832.2
Adjusted EBITDA[1]	899.1	11.7	(1.0)	2.6	912.4
Depreciation and amortization					393.8
Financial expenses					169.0
Gain on valuation and translation of financial instruments					(27.5)
Restructuring of operations and other items					14.2
Income before income taxes					$ 362.9
Cash flows used for:					
Additions to property, plant and equipment	$ 178.4	$ 7.8	$ 0.1	$ 0.4	$ 186.7
Additions to intangible assets	136.1	13.1	1.5	0.1	150.8

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, gain on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
Balance as of December 31, 2019	$ 1,055.9	$ 17.4	$ (31.7)	$ (64.1)	$ 94.6	$ 1,072.1
Net income (loss)	-	-	306.5	-	(1.1)	305.4
Other comprehensive loss	-	-	-	(7.2)	(3.5)	(10.7)
Dividends	-	-	(101.2)	-	(0.2)	(101.4)
Repurchase of Class B Shares	(18.6)	-	(77.0)	-	-	(95.6)
Balance as of June 30, 2020	1,037.3	17.4	96.6	(71.3)	89.8	1,169.8
Net income	-	-	300.7	-	11.3	312.0
Other comprehensive (loss) income	-	-	-	(62.6)	0.4	(62.2)
Dividends	-	-	(99.9)	-	-	(99.9)
Repurchase of Class B Shares	(19.5)	-	(86.1)	-	-	(105.6)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income (loss)	-	-	244.8	-	(0.1)	244.7
Other comprehensive income	-	-	-	119.9	8.4	128.3
Dividends	-	-	(135.0)	-	(0.1)	(135.1)
Repurchase of Class B Shares	(24.0)	-	(107.5)	-	-	(131.5)
Balance as of June 30, 2021	**$ 993.8**	**$ 17.4**	**$ 213.6**	**$ (14.0)**	**$ 109.7**	**$ 1,320.5**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2021	Three months ended June 30 2020	Six months ended June 30 2021	Six months ended June 30 2020
Cash flows related to operating activities					
Income from continuing operations		**$ 124.7**	$ 141.5	**$ 244.7**	$ 271.6
Adjustments for:					
Depreciation of property, plant and equipment		**145.8**	152.7	**292.0**	305.8
Amortization of intangible assets		**40.6**	34.3	**79.5**	70.2
Amortization of right-of-use assets		**10.2**	8.7	**20.4**	17.8
Gain on valuation and translation of financial instruments	5	**(7.0)**	(4.2)	**(1.2)**	(27.5)
Gain on disposal of other assets	6	**(19.5)**	(0.3)	**(19.0)**	(0.2)
Impairment of assets	6	**-**	-	**0.8**	-
Loss on debt refinancing	8	**80.9**	-	**80.9**	-
Amortization of financing costs	4	**2.2**	2.1	**4.4**	4.1
Deferred income taxes		**(24.6)**	(8.5)	**(44.0)**	(29.0)
Other		**(0.3)**	(2.1)	**(0.7)**	0.4
		353.0	324.2	**657.8**	613.2
Net change in non-cash balances related to operating activities		**(123.3)**	69.3	**(166.5)**	101.9
Cash flows provided by continuing operating activities		**229.7**	393.5	**491.3**	715.1
Cash flows related to investing activities					
Business acquisitions		**(6.7)**	(10.8)	**(21.8)**	(10.8)
Additions to property, plant and equipment	7	**(105.5)**	(106.7)	**(217.3)**	(186.7)
Additions to intangible assets		**(50.4)**	(48.0)	**(109.2)**	(150.8)
Proceeds from disposals of assets		**3.0**	0.7	**3.1**	2.2
Other		**(7.2)**	(2.3)	**(8.0)**	(2.9)
Cash flows used in continuing investing activities		**(166.8)**	(167.1)	**(353.2)**	(349.0)
Cash flows related to financing activities					
Net change in bank indebtedness		**2.3**	4.0	**3.9**	(8.8)
Net change under revolving facilities		**25.9**	(82.3)	**22.8**	(135.2)
Issuance of long-term debt, net of financing costs	8	**1,342.8**	-	**1,986.8**	-
Repayment of long-term debt		**(0.2)**	(0.3)	**(0.6)**	(0.6)
Repayment of lease liabilities		**(10.8)**	(10.9)	**(21.0)**	(20.5)
Settlement of hedging contracts		**(0.8)**	(0.8)	**(0.8)**	(0.8)
Repurchase of Class B Shares	11	**(47.1)**	(61.5)	**(131.5)**	(95.6)
Dividends		**(135.0)**	(101.2)	**(135.0)**	(101.2)
Dividends paid to non-controlling interests		**-**	-	**(0.1)**	(0.2)
Cash flows provided by (used in) continuing financing activities		**1,177.1**	(253.0)	**1,724.5**	(362.9)
Cash flows provided by (used in) continuing operations		**1,240.0**	(26.6)	**1,862.6**	3.2
Cash flows provided by discontinued operations	16	**-**	7.8	**-**	7.8
Cash and cash equivalents at beginning of period		**759.3**	43.8	**136.7**	14.0
Cash and cash equivalents at end of period		**$ 1,999.3**	$ 25.0	**$ 1,999.3**	$ 25.0
Cash and cash equivalents consist of					
Cash		**$ 1,998.5**	$ 20.3	**$ 1,998.5**	$ 20.3
Cash equivalents		**0.8**	4.7	**0.8**	4.7
		$ 1,999.3	$ 25.0	**$ 1,999.3**	$ 25.0
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 117.5**	$ 118.3	**$ 156.1**	$ 157.2
Cash income tax payments (net of refunds)		**54.3**	(0.1)	**167.1**	22.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2021	December 31 2020
Assets			
Current assets			
Cash and cash equivalents		$ 1,999.3	$ 136.7
Restricted cash	7	206.3	-
Accounts receivable		653.2	563.6
Contract assets		175.9	174.9
Income taxes		10.2	4.9
Inventories		283.8	250.7
Derivative financial instruments		193.4	-
Other current assets		136.6	113.0
		3,658.7	1,243.8
Non-current assets			
Property, plant and equipment		3,134.9	3,189.2
Intangible assets		1,482.5	1,466.7
Goodwill		2,718.3	2,714.0
Right-of-use assets		152.6	143.1
Derivative financial instruments		338.4	625.5
Deferred income taxes		46.7	45.5
Other assets		459.1	433.8
		8,332.5	8,617.8
Total assets		$ 11,991.2	$ 9,861.6
Liabilities and equity			
Current liabilities			
Bank indebtedness		$ 5.6	$ 1.7
Accounts payable, accrued charges and provisions		914.4	872.2
Deferred revenue		307.6	307.5
Deferred subsidies	7	206.3	-
Income taxes		35.7	70.0
Current portion of long-term debt	8	1,543.2	28.5
Current portion of lease liabilities		35.9	34.3
		3,048.7	1,314.2
Non-current liabilities			
Long-term debt	8	6,142.4	5,744.9
Derivative financial instruments		42.5	28.4
Convertible debentures	9	150.0	150.0
Lease liabilities		147.1	139.0
Deferred income taxes		847.1	848.2
Other liabilities		292.9	422.8
		7,622.0	7,333.3
Equity			
Capital stock	11	993.8	1,017.8
Contributed surplus		17.4	17.4
Retained earnings		213.6	211.3
Accumulated other comprehensive loss	13	(14.0)	(133.9)
Equity attributable to shareholders		1,210.8	1,112.6
Non-controlling interests		109.7	101.5
		1,320.5	1,214.1
Contingencies	15		
Subsequent event	17		
Total liabilities and equity		$ 11,991.2	$ 9,861.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

<u>COVID-19 pandemic</u>

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. In May 2021, the Québec government gradually announced the stages of its reopening plan, which extend over a period of several months. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets; a reduction in advertising revenues, a decrease in sports events broadcast by the TVA Sports specialty channel in 2020 and a reduction in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has provided essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling $3.7 million and $9.3 million were recorded in the respective three-month and six-month periods ended June 30, 2021, as a reduction in employee costs ($29.5 million in the three-month and six-month periods ended June 30, 2020). Given the uncertainty about the future evolution of the pandemic, including a possible new wave, the full impact of the health crisis cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2020 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 4, 2021.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2021.

2. REVENUES

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Telecommunications:				
Internet	**$ 301.8**	$ 276.1	**$ 598.4**	$ 553.6
Television	**211.3**	227.8	**424.5**	460.9
Mobile telephony	**174.8**	159.7	**345.3**	319.9
Wireline telephony	**80.7**	86.9	**161.4**	169.7
Mobile equipment sales	**63.0**	51.8	**123.5**	99.6
Wireline equipment sales	**50.2**	22.1	**96.9**	50.4
Other	**46.6**	44.7	**92.4**	89.7
Media:				
Advertising	**98.4**	54.1	**174.5**	131.9
Subscription	**50.8**	47.9	**100.2**	99.7
Other	**49.0**	30.7	**98.3**	75.9
Sports and Entertainment	**33.5**	25.9	**64.7**	60.7
Inter-segments	**(28.9)**	(23.9)	**(57.8)**	(52.7)
	$ 1,131.2	$ 1,003.8	**$ 2,222.3**	$ 2,059.3

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Employee costs	**$ 219.4**	$ 188.7	**$ 443.7**	$ 418.6
Less employee costs capitalized to property, plant and equipment and intangible assets	**(49.9)**	(52.0)	**(97.8)**	(103.9)
	169.5	136.7	**345.9**	314.7
Purchase of goods and services:				
Royalties, rights and creation costs[1]	**195.0**	168.7	**377.8**	337.2
Cost of products sold	**116.3**	90.9	**232.2**	188.0
Service contracts	**49.4**	40.7	**104.3**	87.1
Marketing, circulation and distribution expenses	**21.8**	12.2	**40.5**	33.3
Other	**77.8**	78.9	**167.5**	186.6
	460.3	391.4	**922.3**	832.2
	$ 629.8	$ 528.1	**$ 1,268.2**	$ 1,146.9

[1] During the first quarter of 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for the National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. As well, during the second quarter of 2020, the Corporation remeasured its audiovisual content asset mainly related to the NHL rights, given the pandemic and its impacts on the Media segment's operations. The cost of NHL rights therefore has increased by $8.2 million in the second quarter of 2021 as compared to 2020 and it has increased by $24.8 million for the six-month period ended June 30, 2021, as compared to 2020.

4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Interest on long-term debt and on debentures	**$ 83.1**	$ 76.2	**$ 162.7**	$ 153.4
Amortization of financing costs	**2.2**	2.1	**4.4**	4.1
Interest on lease liabilities	**2.1**	1.8	**4.3**	3.8
Interest on net defined benefit liability	**2.2**	2.0	**4.4**	3.9
(Gain) loss on foreign currency translation on short-term monetary items	**(2.2)**	(1.6)	**(3.4)**	3.0
Other	**(0.4)**	1.1	**(2.3)**	0.8
	$ 87.0	$ 81.6	**$ 170.1**	$ 169.0

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

5. GAIN ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Gain on embedded derivatives related to convertible debentures	**$ (7.5)**	$ (4.7)	**$ (1.8)**	$ (27.2)
Other	**0.5**	0.5	**0.6**	(0.3)
	$ (7.0)	$ (4.2)	**$ (1.2)**	$ (27.5)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2021, charges of $2.2 million and $5.4 million were recorded in connection with cost reduction initiatives in the Corporation's various segments ($10.6 million and $14.4 million in 2020), while an impairment charge on assets of $0.8 million was also recorded in the six-month period ended June 30, 2021 (none in 2020).

On April 1, 2021, Alithya Group Inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of $19.6 million was recorded in the second quarter of 2021. This transaction also included purchase commitments from Quebecor for Alithya's services totalling approximately $360.0 million as part of a 10-year commercial agreement.

In addition, during the respective three-month and six-month periods ended June 30, 2021, the Corporation also recorded gains related to other items of $3.2 million and $2.7 million ($0.3 million and $0.2 million in 2020).

7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian Government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet. During the respective three-month and six-month periods ended June 30, 2021, $4.4 million and $9.9 million of these deferred subsidies were recognized in reduction of the additions to property, plant and equipment, upon the realization of the required investments.

QUEBECOR INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	June 30, 2021	December 31, 2020
Total long-term debt	**$ 7,714.5**	$ 5,786.4
Change in fair value related to hedged interest rate risk	**12.4**	16.8
Financing costs, net of amortization	**(41.3)**	(29.8)
	7,685.6	5,773.4
Less current portion	**(1,543.2)**	(28.5)
	$ 6,142.4	$ 5,744.9

On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing costs of $6.0 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of $80.9 million was recorded in the consolidated statement of income in the second quarter of 2021, including a gain of $1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of $1,377.9 million.

On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first three years of the term of the Notes and at a decreasing premium thereafter. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes denominated in U.S. dollars by using cross-currency swaps.

As of June 30, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $4,156.8 million ($3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of $494.1 million ($605.1 million as of December 31, 2020).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on May 12, 2021, on Quebecor Class B Subordinate Voting Shares ("Class B Shares") triggered an adjustment to the floor price and ceiling price then in effect. Effective on May 27, 2021, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $25.86 per share (that is, a maximum number of approximately 5,801,117 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $32.32 per share (that is, a minimum number of approximately 4,640,894 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended June 30		Six months ended June 30	
	2021	2020	**2021**	2020
Income from continuing operations attributable to shareholders	**$ 123.5**	$ 142.4	**$ 244.8**	$ 272.7
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(6.4)**	(3.6)	**0.3**	(25.1)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 117.1**	$ 138.8	**$ 245.1**	$ 247.6
Net income attributable to shareholders	**$ 123.5**	$ 174.9	**$ 244.8**	$ 306.5
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(6.4)**	(3.6)	**0.3**	(25.1)
Net income attributable to shareholders, adjusted for dilution effect	**$ 117.1**	$ 171.3	**$ 245.1**	$ 281.4
Weighted average number of shares outstanding (in millions)	**245.0**	252.8	**245.8**	253.4
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**4.9**	5.8	**4.9**	5.8
Weighted average number of diluted shares outstanding (in millions)	**249.9**	258.6	**250.7**	259.2

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares (“Class A Shares”) with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2020	77,039,834	$ 8.6	171,132,357	$ 1,009.2
Class A Shares converted into Class B Shares	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(4,073,200)	(24.0)
Balance as of June 30, 2021	**76,984,034**	**$ 8.6**	**167,114,957**	**$ 985.2**

On August 5, 2020, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On May 19, 2021, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 7,500,000 Class B Shares, representing approximately 4.3% of issued and outstanding Class B Shares as of July 31, 2020. No other terms of the normal course issuer bid have been amended.

On August 4, 2021, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the six-month period ended June 30, 2021, the Corporation purchased and cancelled 4,073,200 Class B Shares for a total cash consideration of $131.5 million (3,143,300 Class B Shares for a total cash consideration of $95.6 million in 2020). The excess of $107.5 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($77.0 million in 2020).

On August 4, 2021, the Board of Directors of the Corporation declared a dividend of $0.275 per share on Class A Shares and Class B Shares, or approximately $67.1 million, payable on September 14, 2021, to shareholders of record at the close of business on August 20, 2021.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the six-month period ended June 30, 2021:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2020	3,630,959	$ 30.57
Cancelled	(208,216)	29.72
As of June 30, 2021	**3,422,743**	**$ 30.62**
Vested options as of June 30, 2021	**–**	**$ –**
Quebecor Media		
As of December 31, 2020	47,950	$ 65.96
Exercised	(15,300)	63.23
As of June 30, 2021	**32,650**	**$ 67.24**
Vested options as of June 30, 2021	**32,650**	**$ 67.24**
TVA Group Inc.		
As of December 31, 2020	795,000	$ 2.06
Cancelled	(105,497)	2.43
As of June 30, 2021	**689,503**	**$ 2.00**
Vested options as of June 30, 2021	**25,000**	**$ 6.85**

During the three-month period ended June 30, 2021, 5,000 stock options of Quebecor Media were exercised for a cash consideration of $0.3 million (16,000 stock options for $0.9 million in 2020). During the six-month period ended June 30, 2021, 15,300 stock options of Quebecor Media were exercised for a cash consideration of $1.0 million (72,500 stock options for $4.3 million in 2020).

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) is based either on Quebecor Class B Shares and on TVA Group Inc. Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2021, 142,141 DSUs based on Quebecor Class B Shares and 165,282 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of $4.8 million was paid relating to a performance share unit plan terminated in 2020.

QUEBECOR INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended June 30, 2021, a reversal of the charge related to all stock-based compensation plans was recorded in the amount of $1.9 million (a charge of $0.3 million in 2020). For the six-month period ended June 30, 2021, a charge related to all stock-based compensation plans was recorded in the amount of $1.7 million (a reversal of the charge of $1.6 million in 2020).

13. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Defined benefit plans[2]	Total
Balance as of December 31, 2019	$ 40.3	$ (104.4)	$ (64.1)
Other comprehensive income (loss)	35.3	(42.5)	(7.2)
Balance as of June 30, 2020	75.6	(146.9)	(71.3)
Other comprehensive loss	(46.0)	(16.6)	(62.6)
Balance as of December 31, 2020	29.6	(163.5)	(133.9)
Other comprehensive income	0.2	119.7	119.9
Balance as of June 30, 2021	**$ 29.8**	**$ (43.8)**	**$ (14.0)**

[1] No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 8 year period.

[2] The re-measurement gain in the consolidated statement of comprehensive income for the six-month period ended June 30, 2021 is mainly due to an increase in the discount rate since December 31, 2020.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2021 and December 31, 2020 are as follows:

	June 30, 2021		December 31, 2020	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (7,714.5)**	**$ (8,029.4)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(152.1)**	**(152.1)**	(153.5)	(153.5)
Derivative financial instruments				
Foreign exchange forward contracts	**(4.8)**	**(4.8)**	(8.0)	(8.0)
Cross-currency swaps	**494.1**	**494.1**	605.1	605.1

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

15. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order to finalize the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 had been invoiced to resellers and accounted for in the Corporation's consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

16. DISCONTINUED OPERATIONS

In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions to the sale price were achieved in connection to the 4Degrees Colocation Inc. data center operations sold in 2019 by Videotron.

17. SUBSEQUENT EVENT

On July 29, 2021, Quebecor announced an investment of nearly $830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: southern and eastern Ontario, Manitoba, Alberta and British Columbia.

This is Exhibit 67 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2021 and 2020

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended March 31 2021	2020
Revenues	2	**$ 1,091.1**	$ 1,055.5
Employee costs	3	**176.4**	178.0
Purchase of goods and services	3	**462.0**	440.8
Depreciation and amortization		**195.3**	198.1
Financial expenses	4	**83.1**	87.4
Loss (gain) on valuation and translation of financial instruments	5	**5.8**	(23.3)
Restructuring of operations and other items	6	**4.5**	3.9
Income before income taxes		**164.0**	170.6
Income taxes (recovery):			
Current		**63.4**	61.0
Deferred		**(19.4)**	(20.5)
		44.0	40.5
Income from continuing operations		**120.0**	130.1
Income from discontinued operations		**-**	1.3
Net income		**$ 120.0**	$ 131.4
Income (loss) from continuing operations attributable to			
Shareholders		**$ 121.3**	$ 130.3
Non-controlling interests		**(1.3)**	(0.2)
Net income (loss) attributable to			
Shareholders		**$ 121.3**	$ 131.6
Non-controlling interests		**(1.3)**	(0.2)
Earnings per share attributable to shareholders	10		
Basic:			
From continuing operations		**$ 0.49**	$ 0.51
From discontinued operations		**-**	0.01
Net income		**0.49**	0.52
Diluted:			
From continuing operations		**0.49**	0.41
From discontinued operations		**-**	0.01
Net income		**0.49**	0.42
Weighted average number of shares outstanding (in millions)		**246.7**	254.0
Weighted average number of diluted shares (in millions)		**246.9**	259.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Note	Three months ended March 31 2021	2020
Income from continuing operations		**$ 120.0**	$ 130.1
Other comprehensive income from continuing operations:			
Items that may be reclassified to income:			
Cash flow hedges:			
(Loss) gain on valuation of derivative financial instruments		**(2.6)**	62.9
Deferred income taxes		**1.9**	(15.0)
Items that will not be reclassified to income:			
Defined benefit plans:			
Re-measurement gain	13	**177.0**	-
Deferred income taxes		**(46.9)**	-
		129.4	47.9
Comprehensive income from continuing operations		**249.4**	178.0
Income from discontinued operations		**-**	1.3
Comprehensive income		**$ 249.4**	$ 179.3
Comprehensive income (loss) from continuing operations attributable to			
Shareholders		**$ 243.9**	$ 178.2
Non-controlling interests		**5.5**	(0.2)
Comprehensive income (loss) attributable to			
Shareholders		**$ 243.9**	$ 179.5
Non-controlling interests		**5.5**	(0.2)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2021

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 914.0**	**$ 174.8**	**$ 31.2**	**$ (28.9)**	**$ 1,091.1**
Employee costs	**104.5**	**55.1**	**7.5**	**9.3**	**176.4**
Purchase of goods and services	**358.6**	**118.4**	**21.6**	**(36.6)**	**462.0**
Adjusted EBITDA[1]	**450.9**	**1.3**	**2.1**	**(1.6)**	**452.7**
Depreciation and amortization					**195.3**
Financial expenses					**83.1**
Loss on valuation and translation of financial instruments					**5.8**
Restructuring of operations and other items					**4.5**
Income before income taxes					**$ 164.0**
Cash flows used for					
Additions to property, plant and equipment	**$ 107.6**	**$ 3.8**	**$ 0.1**	**$ 0.3**	**$ 111.8**
Additions to intangible assets	**51.3**	**6.1**	**0.9**	**0.5**	**58.8**

Three months ended March 31, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 874.7	$ 174.8	$ 34.8	$ (28.8)	$ 1,055.5
Employee costs	102.9	59.7	10.0	5.4	178.0
Purchase of goods and services	336.3	111.0	28.6	(35.1)	440.8
Adjusted EBITDA[1]	435.5	4.1	(3.8)	0.9	436.7
Depreciation and amortization					198.1
Financial expenses					87.4
Gain on valuation and translation of financial instruments					(23.3)
Restructuring of operations and other items					3.9
Income before income taxes					$ 170.6
Cash flows used for					
Additions to property, plant and equipment	$ 73.6	$ 6.2	$ 0.1	$ 0.1	$ 80.0
Additions to intangible assets	95.1	6.9	0.8	-	102.8

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other items, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss		
	(note 11)			(note 13)		
Balance as of December 31, 2019	$ 1,055.9	$ 17.4	$ (31.7)	$ (64.1)	$ 94.6	$ 1,072.1
Net income (loss)	-	-	131.6	-	(0.2)	131.4
Other comprehensive income	-	-	-	47.9	-	47.9
Dividends	-	-	(50.9)	-	(0.2)	(51.1)
Repurchase of Class B Shares	(6.3)	-	(27.8)	-	-	(34.1)
Balance as of March 31, 2020	1,049.6	17.4	21.2	(16.2)	94.2	1,166.2
Net income	-	-	475.6	-	10.4	486.0
Other comprehensive loss	-	-	-	(117.7)	(3.1)	(120.8)
Dividends	-	-	(150.2)	-	-	(150.2)
Repurchase of Class B Shares	(31.8)	-	(135.3)	-	-	(167.1)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income (loss)	-	-	121.3	-	(1.3)	120.0
Other comprehensive income	-	-	-	122.6	6.8	129.4
Dividends	-	-	(68.3)	-	(0.1)	(68.4)
Repurchase of Class B Shares	(15.6)	-	(68.8)	-	-	(84.4)
Balance as of March 31, 2021	**$ 1,002.2**	**$ 17.4**	**$ 195.5**	**$ (11.3)**	**$ 106.9**	**$ 1,310.7**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2021	2020
Cash flows related to operating activities			
Income from continuing operations		**$ 120.0**	$ 130.1
Adjustments for:			
Depreciation of property, plant and equipment		**146.2**	153.1
Amortization of intangible assets		**38.9**	35.9
Amortization of right-of-use assets		**10.2**	9.1
Loss (gain) on valuation and translation of financial instruments	5	**5.8**	(23.3)
Impairment of assets	6	**0.8**	-
Amortization of financing costs	4	**2.2**	2.0
Deferred income taxes		**(19.4)**	(20.5)
Other		**0.1**	2.6
		304.8	289.0
Net change in non-cash balances related to operating activities		**(43.2)**	32.6
Cash flows provided by continuing operating activities		**261.6**	321.6
Cash flows related to investing activities			
Business acquisitions	7	**(15.1)**	-
Additions to property, plant and equipment	8	**(111.8)**	(80.0)
Additions to intangible assets		**(58.8)**	(102.8)
Proceeds from disposals of assets		**0.1**	1.5
Other		**(0.8)**	(0.6)
Cash flows used in continuing investing activities		**(186.4)**	(181.9)
Cash flows related to financing activities			
Net change in bank indebtedness		**1.6**	(12.8)
Net change under revolving facilities		**(3.1)**	(52.9)
Issuance of long-term debt, net of financing fees	9	**644.0**	-
Repayment of long-term debt		**(0.4)**	(0.3)
Repayment of lease liabilities		**(10.2)**	(9.6)
Repurchase of Class B Shares	11	**(84.4)**	(34.1)
Dividends paid to non-controlling interests		**(0.1)**	(0.2)
Cash flows provided by (used in) continuing financing activities		**547.4**	(109.9)
Cash flows provided by continuing operations		**622.6**	29.8
Cash and cash equivalents at beginning of period		**136.7**	14.0
Cash and cash equivalents at end of period		**$ 759.3**	$ 43.8
Cash and cash equivalents consist of			
Cash		**$ 759.0**	$ 4.7
Cash equivalents		**0.3**	39.1
		$ 759.3	$ 43.8
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 38.6**	$ 38.9
Cash income tax payments (net of refunds)		**112.8**	23.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2021	December 31 2020
Assets			
Current assets			
Cash and cash equivalents		**$ 759.3**	$ 136.7
Restricted cash	8	**210.7**	-
Accounts receivable		**635.9**	600.6
Contract assets		**176.7**	174.9
Income taxes		**10.0**	4.9
Inventories		**271.7**	250.7
Other current assets		**136.7**	113.0
		2,201.0	1,280.8
Non-current assets			
Property, plant and equipment		**3,167.2**	3,189.2
Intangible assets		**1,480.3**	1,466.7
Goodwill		**2,714.0**	2,714.0
Right-of-use assets		**148.4**	143.1
Derivative financial instruments		**569.4**	625.5
Deferred income taxes		**31.5**	45.5
Other assets		**379.1**	396.8
		8,489.9	8,580.8
Total assets		**$ 10,690.9**	$ 9,861.6
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 3.3**	$ 1.7
Accounts payable, accrued charges and provisions		**961.7**	872.2
Deferred revenue		**307.5**	307.5
Deferred subsidies	8	**210.7**	-
Income taxes		**23.8**	70.0
Current portion of long-term debt	9	**25.4**	28.5
Current portion of lease liabilities		**35.1**	34.3
		1,567.5	1,314.2
Non-current liabilities			
Long-term debt	9	**6,330.7**	5,744.9
Derivative financial instruments		**35.1**	28.4
Convertible debentures		**150.0**	150.0
Lease liabilities		**144.3**	139.0
Deferred income taxes		**859.8**	848.2
Other liabilities		**292.8**	422.8
		7,812.7	7,333.3
Equity			
Capital stock	11	**1,002.2**	1,017.8
Contributed surplus		**17.4**	17.4
Retained earnings		**195.5**	211.3
Accumulated other comprehensive loss	13	**(11.3)**	(133.9)
Equity attributable to shareholders		**1,203.8**	1,112.6
Non-controlling interests		**106.9**	101.5
		1,310.7	1,214.1
Contingencies	15		
Subsequent events	16		
Total liabilities and equity		**$ 10,690.9**	$ 9,861.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

COVID-19 pandemic

The COVID-19 pandemic continues to have a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. Since March 2020, this health crisis curtailed the operations of many of Quebecor's business partners and led to a significant slowdown in some of the Corporation's segments. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets; a reduction in advertising revenues, a decrease in sports events broadcast by the TVA Sports specialty channel in 2020 and a reduction in film and audiovisual content activity in the Media segment in 2020; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has continued and will continue to provide essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling $5.6 million were recorded in the first quarter of 2021 as a reduction in employee costs (no amount in the first quarter of 2020). Given the uncertainty about the evolution of the pandemic, the full impact until the end of the health crisis cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2020 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 12, 2021.

Comparative figures for the previous period have been restated to conform to the presentation adopted for the three-month period ended March 31, 2021.

2. REVENUES

	Three months ended March 31	
	2021	2020
Telecommunications:		
Internet	**$ 296.6**	$ 277.5
Television	**213.2**	233.1
Mobile telephony	**170.5**	160.2
Wireline telephony	**80.7**	82.8
Mobile equipment sales	**60.5**	47.8
Wireline equipment sales	**46.7**	28.3
Other	**45.8**	45.0
Media:		
Advertising	**76.1**	77.8
Subscription	**49.4**	51.8
Other	**49.3**	45.2
Sports and Entertainment	**31.2**	34.8
Inter-segments	**(28.9)**	(28.8)
	$ 1,091.1	$ 1,055.5

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2021	2020
Employee costs	**$ 224.3**	$ 229.9
Less employee costs capitalized to property, plant and equipment and intangible assets	**(47.9)**	(51.9)
	176.4	178.0
Purchase of goods and services:		
Royalties, rights and creation costs[1]	**182.8**	168.5
Cost of products sold	**115.9**	97.1
Service contracts	**54.9**	46.4
Marketing, circulation and distribution expenses	**18.7**	21.1
Other	**89.7**	107.7
	462.0	440.8
	$ 638.4	$ 618.8

[1] During the first quarter of 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for the National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. The cost of NHL rights therefore increased by $16.7 million in the first quarter of 2021.

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2021	2020
Interest on long-term debt and on debentures	**$ 79.6**	$ 77.2
Amortization of financing costs	**2.2**	2.0
Interest on lease liabilities	**2.2**	2.0
Interest on net defined benefit liability	**2.2**	1.9
(Gain) loss on foreign currency translation on short-term monetary items	**(1.2)**	4.6
Other	**(1.9)**	(0.3)
	$ 83.1	$ 87.4

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2021	2020
Loss (gain) on embedded derivatives related to convertible debentures	**$ 5.7**	$ (22.5)
Other	**0.1**	(0.8)
	$ 5.8	$ (23.3)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2021, a charge of $3.7 million was recorded in connection with cost reduction initiatives in the Corporation's various segments ($3.9 million in 2020).

During the first quarter of 2021, an impairment charge on assets of $0.8 million was also recorded as a result of restructuring initiatives (none in 2020).

7. BUSINESS ACQUISITIONS

On February 1, 2021, the Sports and Entertainment segment acquired Les Disques Audiogramme inc., a record label, for a cash consideration of $14.5 million. The acquired assets consist mainly of intangible assets.

During the first quarter of 2021, a post-closing adjustment of $0.6 million was paid relating to the acquisition of the Incendo Media inc. group by TVA Group Inc. ("TVA Group") on April 1, 2019.

8. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian Government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet as of March 31, 2021. A portion of $5.5 million of these deferred subsidies was recognized in reduction of the additions to property, plant and equipment in the first quarter of 2021 upon the realization of the required investments.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	March 31, 2021	December 31, 2020
Total long-term debt	**$ 6,376.1**	$ 5,786.4
Change in fair value related to hedged interest rate risk	**13.5**	16.8
Financing fees, net of amortization	**(33.5)**	(29.8)
	6,356.1	5,773.4
Less current portion	**(25.4)**	(28.5)
	$ 6,330.7	$ 5,744.9

On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing fees of $6.0 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

In March 2021, Videotron contracted new unsecured on-demand credit facilities under which letters of credit were issued and submitted to Innovation, Science and Economic Development Canada ("ISED Canada") as a pre-auction deposit, in respect to its application to participate to the 3500 MHz spectrum auction. In accordance with the rules of confidentially established by ISED Canada respecting restrictions on communications during the auction process, it is strictly forbidden for the Corporation to disclose the amount of these letters of credit. Videotron may withdraw the letters of credit at any time prior to the opening of the auction.

As of March 31, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing fees, was $3,595.0 million ($3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of $540.7 million ($605.1 million as of December 31, 2020).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended March 31	
	2021	2020
Income from continuing operations attributable to shareholders	**$ 121.3**	$ 130.3
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**–**	(21.9)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 121.3**	$ 108.4
Net income attributable to shareholders	**$ 121.3**	$ 131.6
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**–**	(21.9)
Net income attributable to shareholders, adjusted for dilution effect	**$ 121.3**	$ 109.7
Weighted average number of shares outstanding (in millions)	**246.7**	254.0
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**0.2**	5.9
Weighted average number of diluted shares outstanding (in millions)	**246.9**	259.9

For the three-month period ended March 31, 2021, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		**Class B Shares**	
	Number	Amount	Number	Amount
Balance as of December 31, 2020	77,039,834	$ 8.6	171,132,357	$ 1,009.2
Class A Shares converted into Class B Shares	(55,200)	–	55,200	–
Shares purchased and cancelled	–	–	(2,649,300)	(15.6)
Balance as of March 31, 2021	**76,984,634**	**$ 8.6**	**168,538,257**	**$ 993.6**

On August 5, 2020, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.5% of issued and outstanding Class B Shares as of July 31, 2020. The purchases can be made from August 15, 2020 to August 14, 2021, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the three-month period ended March 31, 2021, the Corporation purchased and cancelled 2,649,300 Class B Shares for a total cash consideration of $84.4 million (1,059,100 Class B Shares for a total cash consideration of $34.1 million in 2020). The excess of $68.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($27.8 million in 2020).

On May 12, 2021, the Board of Directors of the Corporation declared a dividend of $0.275 per share on Class A Shares and Class B Shares, or approximately $67.5 million, payable on June 22, 2021, to shareholders of record at the close of business on May 28, 2021.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participates, for the three-month period ended March 31, 2021:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2020	3,630,959	$ 30.57
Cancelled	(22,593)	30.19
As of March 31, 2021	**3,608,366**	**$ 30.57**
Vested options as of March 31, 2021	**–**	**$ –**
Quebecor Media		
As of December 31, 2020	47,950	$ 65.96
Exercised	(10,300)	63.10
As of March 31, 2021	**37,650**	**$ 66.75**
Vested options as of March 31, 2021	**37,650**	**$ 66.75**
TVA Group		
As of December 31, 2020	795,000	$ 2.06
Cancelled	(25,497)	1.87
As of March 31, 2021	**769,503**	**$ 2.06**
Vested options as of March 31, 2021	**35,000**	**$ 6.85**

During the three-month period ended March 31, 2021, 10,300 stock options of Quebecor Media were exercised for a cash consideration of $0.7 million (56,500 stock options for $3.4 million in 2020).

Deferred share unit and performance share unit plans

The deferred share unit ("DSU") is based either on Quebecor Class B Shares and on TVA Group Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2021, 143,677 DSUs based on Quebecor Class B Shares and 179,784 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of $4.8 million was paid relating to a performance share unit plan terminated in 2020.

Stock-based compensation expense

For the three-month period ended March 31, 2021, a charge related to all stock-based compensation plans was recorded in the amount of $3.6 million (a reversal of the charge of $1.9 million in 2020).

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. ACCUMULATED OTHER COMPREHENSIVE LOSS ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Defined benefit plans[2]	Total
Balance as of December 31, 2019	$ 40.3	$ (104.4)	$ (64.1)
Other comprehensive income	47.9	–	47.9
Balance as of March 31, 2020	88.2	(104.4)	(16.2)
Other comprehensive loss	(58.6)	(59.1)	(117.7)
Balance as of December 31, 2020	29.6	(163.5)	(133.9)
Other comprehensive (loss) income	(0.7)	123.3	122.6
Balance as of March 31, 2021	**$ 28.9**	**$ (40.2)**	**$ (11.3)**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 6 year period.

2 The re-measurement gain in the consolidated statement of comprehensive income for the three-month period ended March 31, 2021 is mainly due to an increase in the discount rate since December 31, 2020.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2021 and December 31, 2020 are as follows:

	March 31, 2021		December 31, 2020	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,376.1)**	**$ (6,724.9)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(159.4)**	**(159.4)**	(153.5)	(153.5)
Derivative financial instruments				
Foreign exchange forward contracts	**(6.4)**	**(6.4)**	(8.0)	(8.0)
Cross-currency interest rate swaps	**540.7**	**540.7**	605.1	605.1

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing fees.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

15. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order finalizing the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 have been invoiced to resellers and accounted for in the Corporation's consolidated financial statements. The new proposed rates are substantially lower than the interim rates and could represent a reduction in earnings of approximately $40.0 million (before income taxes) for the year 2021 and a retrospective reduction of approximately $82.0 million (before income taxes) from March 31, 2016 to December 31, 2020. On September 28, 2020, the CRTC approved a request from a coalition of cable companies (including Videotron) to stay the implementation of the order pertaining to final rates pending its final determination on the review and vary requests. Accordingly, at this stage of these proceedings, the Corporation still estimates that the interim rates are the appropriate basis to account for its wholesale Internet access revenues.

16. SUBSEQUENT EVENTS

On April 1, 2021, Alithya Group inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As part of this transaction, Quebecor obtained 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding Alithya's shares. The corresponding gain on disposal of approximately $19.0 million will be accounted for in the second quarter of 2021. This transaction also includes purchase commitments from Quebecor for Alithya's services totalling approximately $360.0 million as part of a 10-year commercial agreement.

This is Exhibit 68 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and nine-month periods ended September 30, 2021 and 2020

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Revenues	2	**$ 1,148.2**	$ 1,111.7	**$ 3,370.5**	$ 3,171.0
Employee costs	3	**172.1**	156.5	**518.0**	471.2
Purchase of goods and services	3	**455.8**	441.8	**1,378.1**	1,274.0
Depreciation and amortization		**194.3**	195.9	**586.2**	589.7
Financial expenses	4	**83.8**	80.1	**253.9**	249.1
(Gain) loss on valuation and translation of financial instruments	5	**(6.0)**	18.6	**(7.2)**	(8.9)
Restructuring of operations and other items	6	**12.4**	18.9	**(3.7)**	33.1
Loss on debt refinancing	9	**-**	-	**80.9**	-
Income before income taxes		**235.8**	199.9	**564.3**	562.8
Income taxes (recovery):					
Current		**63.5**	60.7	**191.3**	181.0
Deferred		**(6.9)**	(4.3)	**(50.9)**	(33.3)
		56.6	56.4	**140.4**	147.7
Income from continuing operations		**179.2**	143.5	**423.9**	415.1
Income from discontinued operations	17	**-**	-	**-**	33.8
Net income		**$ 179.2**	$ 143.5	**$ 423.9**	$ 448.9
Income from continuing operations attributable to					
Shareholders		**$ 173.1**	$ 140.9	**$ 417.9**	$ 413.6
Non-controlling interests		**6.1**	2.6	**6.0**	1.5
Net income attributable to					
Shareholders		**$ 173.1**	$ 140.9	**$ 417.9**	$ 447.4
Non-controlling interests		**6.1**	2.6	**6.0**	1.5
Earnings per share attributable to shareholders	11				
Basic:					
From continuing operations		**$ 0.71**	$ 0.56	**$ 1.71**	$ 1.64
From discontinued operations		**-**	-	**-**	0.13
Net income		**0.71**	0.56	**1.71**	1.77
Diluted:					
From continuing operations		**0.68**	0.56	**1.66**	1.58
From discontinued operations		**-**	-	**-**	0.13
Net income		**0.68**	0.56	**1.66**	1.71
Weighted average number of shares outstanding (in millions)		**242.7**	250.5	**244.8**	252.4
Weighted average number of diluted shares (in millions)		**247.5**	250.7	**249.6**	258.2

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Income from continuing operations		**$ 179.2**	$ 143.5	**$ 423.9**	$ 415.1
Other comprehensive income (loss) from continuing operations:					
Items that may be reclassified to income:					
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**15.7**	(25.0)	**11.5**	18.9
Deferred income taxes		**(3.8)**	6.1	**1.0**	(2.5)
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	14	**27.5**	(25.0)	**202.0**	(87.0)
Deferred income taxes		**(7.3)**	6.6	**(53.7)**	22.6
Equity investment:					
Gain on revaluation of an equity investment		**2.4**	-	**2.4**	-
Deferred income taxes		**(0.3)**	-	**(0.3)**	-
Reclassification to income:	9				
Gain related to cash flow hedges		**-**	-	**(1.0)**	-
Deferred income taxes		**-**	-	**0.6**	-
		34.2	(37.3)	**162.5**	(48.0)
Comprehensive income from continuing operations		**213.4**	106.2	**586.4**	367.1
Income from discontinued operations	17	**-**	-	**-**	33.8
Comprehensive income		**$ 213.4**	$ 106.2	**$ 586.4**	$ 400.9
Comprehensive income (loss) from continuing operations attributable to					
Shareholders		**$ 205.4**	$ 104.8	**$ 570.1**	$ 370.3
Non-controlling interests		**8.0**	1.4	**16.3**	(3.2)
Comprehensive income (loss) attributable to					
Shareholders		**$ 205.4**	$ 104.8	**$ 570.1**	$ 404.1
Non-controlling interests		**8.0**	1.4	**16.3**	(3.2)

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended September 30, 2021

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 939.5**	**$ 190.6**	**$ 49.1**	**$ (31.0)**	**$ 1,148.2**
Employee costs	**103.8**	**53.7**	**8.4**	**6.2**	**172.1**
Purchase of goods and services	**358.9**	**100.3**	**29.7**	**(33.1)**	**455.8**
Adjusted EBITDA[1]	**476.8**	**36.6**	**11.0**	**(4.1)**	**520.3**
Depreciation and amortization					**194.3**
Financial expenses					**83.8**
Gain on valuation and translation of financial instruments					**(6.0)**
Restructuring of operations and other items					**12.4**
Income before income taxes					**$ 235.8**
Cash flows used for:					
Additions to property, plant and equipment	**$ 114.8**	**$ 4.9**	**$ 0.3**	**$ 0.4**	**$ 120.4**
Additions to intangible assets	**197.3**	**4.2**	**0.7**	**1.2**	**203.4**

Three months ended September 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 937.9	$ 157.2	$ 48.5	$ (31.9)	$ 1,111.7
Employee costs	101.4	38.6	7.5	9.0	156.5
Purchase of goods and services	352.9	93.7	33.4	(38.2)	441.8
Adjusted EBITDA[1]	483.6	24.9	7.6	(2.7)	513.4
Depreciation and amortization					195.9
Financial expenses					80.1
Loss on valuation and translation of financial instruments					18.6
Restructuring of operations and other items					18.9
Income before income taxes					$ 199.9
Cash flows used for:					
Additions to property, plant and equipment	$ 133.9	$ 3.4	$ 0.1	$ 0.7	$ 138.1
Additions to intangible assets	29.6	3.9	0.8	-	34.3

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Nine months ended September 30, 2021

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 2,781.9**	**$ 563.6**	**$ 113.8**	**$ (88.8)**	**$ 3,370.5**
Employee costs	**310.0**	**164.7**	**23.0**	**20.3**	**518.0**
Purchase of goods and services	**1,062.7**	**344.3**	**74.6**	**(103.5)**	**1,378.1**
Adjusted EBITDA[1]	**1,409.2**	**54.6**	**16.2**	**(5.6)**	**1,474.4**
Depreciation and amortization					**586.2**
Financial expenses					**253.9**
Gain on valuation and translation of financial instruments					**(7.2)**
Restructuring of operations and other items					**(3.7)**
Loss on debt refinancing					**80.9**
Income before income taxes					**$ 564.3**
Cash flows used for:					
Additions to property, plant and equipment	**$ 323.7**	**$ 12.0**	**$ 0.4**	**$ 1.6**	**$ 337.7**
Additions to intangible assets	**290.7**	**17.4**	**2.2**	**2.3**	**312.6**

Nine months ended September 30, 2020

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 2,681.7	$ 464.7	$ 109.2	$ (84.6)	$ 3,171.0
Employee costs	305.0	124.5	21.6	20.1	471.2
Purchase of goods and services	994.0	303.6	81.0	(104.6)	1,274.0
Adjusted EBITDA[1]	1,382.7	36.6	6.6	(0.1)	1,425.8
Depreciation and amortization					589.7
Financial expenses					249.1
Gain on valuation and translation of financial instruments					(8.9)
Restructuring of operations and other items					33.1
Income before income taxes					$ 562.8
Cash flows used for:					
Additions to property, plant and equipment	$ 312.3	$ 11.2	$ 0.2	$ 1.1	$ 324.8
Additions to intangible assets	165.7	17.0	2.3	0.1	185.1

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is referred as a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, (gain) loss on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing, income taxes and income from discontinued operations.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 12)	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive (loss) income (note 14)		
Balance as of December 31, 2019	$ 1,055.9	$ 17.4	$ (31.7)	$ (64.1)	$ 94.6	$ 1,072.1
Net income	-	-	447.4	-	1.5	448.9
Other comprehensive loss	-	-	-	(43.3)	(4.7)	(48.0)
Dividends	-	-	(151.3)	-	(0.2)	(151.5)
Repurchase of Class B Shares	(27.7)	-	(115.7)	-	-	(143.4)
Balance as of September 30, 2020	1,028.2	17.4	148.7	(107.4)	91.2	1,178.1
Net income	-	-	159.8	-	8.7	168.5
Other comprehensive (loss) income	-	-	-	(26.5)	1.6	(24.9)
Dividends	-	-	(49.8)	-	-	(49.8)
Repurchase of Class B Shares	(10.4)	-	(47.4)	-	-	(57.8)
Balance as of December 31, 2020	1,017.8	17.4	211.3	(133.9)	101.5	1,214.1
Net income	-	-	417.9	-	6.0	423.9
Other comprehensive income	-	-	-	152.2	10.3	162.5
Dividends	-	-	(201.8)	-	(0.1)	(201.9)
Repurchase of Class B Shares	(41.7)	-	(184.2)	-	-	(225.9)
Balance as of September 30, 2021	**$ 976.1**	**$ 17.4**	**$ 243.2**	**$ 18.3**	**$ 117.7**	**$ 1,372.7**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Cash flows related to operating activities					
Income from continuing operations		**$ 179.2**	$ 143.5	**$ 423.9**	$ 415.1
Adjustments for:					
Depreciation of property, plant and equipment		**142.9**	149.5	**434.9**	455.3
Amortization of intangible assets		**40.8**	37.0	**120.3**	107.2
Amortization of right-of-use assets		**10.6**	9.4	**31.0**	27.2
(Gain) loss on valuation and translation of financial instruments	5	**(6.0)**	18.6	**(7.2)**	(8.9)
Gain on disposal of other assets	6	**-**	(0.2)	**(19.0)**	(0.4)
Impairment of assets	6	**-**	7.3	**0.8**	7.3
Loss on debt refinancing	9	**-**	-	**80.9**	-
Amortization of financing costs	4	**1.8**	2.0	**6.2**	6.1
Deferred income taxes		**(6.9)**	(4.3)	**(50.9)**	(33.3)
Other		**0.4**	(0.1)	**(0.3)**	0.3
		362.8	362.7	**1,020.6**	975.9
Net change in non-cash balances related to operating activities		**5.4**	(23.3)	**(161.1)**	78.6
Cash flows provided by continuing operating activities		**368.2**	339.4	**859.5**	1,054.5
Cash flows related to investing activities					
Business acquisitions		**0.8**	-	**(21.0)**	(10.8)
Additions to property, plant and equipment	7	**(120.4)**	(138.1)	**(337.7)**	(324.8)
Additions to intangible assets	8	**(203.4)**	(34.3)	**(312.6)**	(185.1)
Proceeds from disposals of assets		**3.1**	1.4	**6.2**	3.6
Other		**-**	(48.5)	**(8.0)**	(51.4)
Cash flows used in continuing investing activities		**(319.9)**	(219.5)	**(673.1)**	(568.5)
Cash flows related to financing activities					
Net change in bank indebtedness		**-**	(5.4)	**3.9**	(14.2)
Net change under revolving facilities		**(16.1)**	10.3	**6.7**	(124.9)
Issuance of long-term debt, net of financing costs	9	**-**	-	**1,986.8**	-
Repayment of long-term debt	9	**(1,564.4)**	(0.4)	**(1,565.0)**	(1.0)
Repayment of lease liabilities		**(10.4)**	(10.8)	**(31.4)**	(31.3)
Settlement of hedging contracts	9	**185.2**	-	**184.4**	(0.8)
Repurchase of Class B Shares	12	**(94.4)**	(47.8)	**(225.9)**	(143.4)
Dividends		**(66.8)**	(50.1)	**(201.8)**	(151.3)
Dividends paid to non-controlling interests		**-**	-	**(0.1)**	(0.2)
Cash flows (used in) provided by continuing financing activities		**(1,566.9)**	(104.2)	**157.6**	(467.1)
Cash flows (used in) provided by continuing operations		**(1,518.6)**	15.7	**344.0**	18.9
Cash flows provided by discontinued operations	17	**-**	-	**-**	7.8
Cash and cash equivalents at beginning of period		**1,999.3**	25.0	**136.7**	14.0
Cash and cash equivalents at end of period		**$ 480.7**	$ 40.7	**$ 480.7**	$ 40.7
Cash and cash equivalents consist of					
Cash		**$ 479.6**	$ 39.5	**$ 479.6**	$ 39.5
Cash equivalents		**1.1**	1.2	**1.1**	1.2
		$ 480.7	$ 40.7	**$ 480.7**	$ 40.7
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 49.2**	$ 41.3	**$ 205.3**	$ 198.5
Cash income tax payments (net of refunds)		**58.0**	70.7	**225.1**	93.6

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	September 30 2021	December 31 2020
Assets			
Current assets			
Cash and cash equivalents		**$ 480.7**	$ 136.7
Restricted cash	7	**202.3**	-
Accounts receivable		**700.6**	563.6
Contract assets		**153.3**	174.9
Income taxes		**7.3**	4.9
Inventories		**312.9**	250.7
Other current assets		**134.2**	113.0
		1,991.3	1,243.8
Non-current assets			
Property, plant and equipment		**3,095.3**	3,189.2
Intangible assets	8	**1,643.8**	1,466.7
Goodwill		**2,718.5**	2,714.0
Right-of-use assets		**150.8**	143.1
Derivative financial instruments		**406.3**	625.5
Deferred income taxes		**39.8**	45.5
Other assets		**488.2**	433.8
		8,542.7	8,617.8
Total assets		**$ 10,534.0**	$ 9,861.6
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 5.6**	$ 1.7
Accounts payable, accrued charges and provisions		**893.6**	872.2
Deferred revenue		**301.7**	307.5
Deferred subsidies	7	**202.3**	-
Income taxes		**38.1**	70.0
Current portion of long-term debt	9	**35.3**	28.5
Current portion of lease liabilities		**36.4**	34.3
		1,513.0	1,314.2
Non-current liabilities			
Long-term debt	9	**6,221.5**	5,744.9
Derivative financial instruments		**16.7**	28.4
Convertible debentures	10	**150.0**	150.0
Lease liabilities		**145.2**	139.0
Deferred income taxes		**844.7**	848.2
Other liabilities		**270.2**	422.8
		7,648.3	7,333.3
Equity			
Capital stock	12	**976.1**	1,017.8
Contributed surplus		**17.4**	17.4
Retained earnings		**243.2**	211.3
Accumulated other comprehensive income (loss)	14	**18.3**	(133.9)
Equity attributable to shareholders		**1,255.0**	1,112.6
Non-controlling interests		**117.7**	101.5
		1,372.7	1,214.1
Contingencies	16		
Total liabilities and equity		**$ 10,534.0**	$ 9,861.6

See accompanying notes to condensed consolidated financial statements.

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal (Québec), Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment leasing and post-production services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural events management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on the economic environment in Canada and around the world. In order to limit the spread of the virus, the Québec government has imposed a number of restrictions and special preventive measures since the beginning of this health crisis, including the suspension of some business activities. The Québec government has gradually implemented a new reopening plan since May 2021 and has imposed the use of a vaccination passport starting September 1, 2021, required to be admitted to certain locations or to participate in certain non-essential activities. Since March 2020, this health crisis has curtailed the operations of many of Quebecor's business partners and has led to a significant slowdown in some of the Corporation's segments. Among other impacts, the restrictions and preventive measures imposed by the Québec government caused a reduction in volume at Videotron Ltd.'s ("Videotron") retail outlets; a reduction in advertising revenues, a decrease in sports events broadcast by the TVA Sports specialty channel in 2020 and a reduction in film and audiovisual content activity in the Media segment; and the cancellation of most shows and events in the Sports and Entertainment segment. Despite the constraints created by this pandemic, Quebecor has provided essential telecommunications and news services during this health crisis, while safeguarding the health and safety of the public and its employees. Due to the decrease in their revenues, most of the business units in the Media segment and Sports and Entertainment segment have qualified for the Canadian Emergency Wage Subsidy and subsidies totalling $9.4 million were recorded in the nine-month period ended September 30, 2021, as a reduction in employee costs ($14.4 million and $43.9 million in the respective three-month and nine-month periods ended September 30, 2020). Given the uncertainty about the future evolution of the pandemic, including any new major wave, the full impact of the health crisis cannot be determined with certainty.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2020 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on November 3, 2021.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and nine-month periods ended September 30, 2021.

2. REVENUES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Telecommunications:				
Internet	**$ 301.4**	$ 285.5	**$ 899.8**	$ 839.1
Television	**207.8**	222.7	**632.3**	683.6
Mobile telephony	**181.8**	168.4	**527.1**	488.3
Wireline telephony	**79.4**	85.4	**240.8**	255.1
Mobile equipment sales	**72.0**	80.2	**195.5**	179.8
Wireline equipment sales	**51.3**	50.3	**148.2**	100.7
Other	**45.8**	45.4	**138.2**	135.1
Media:				
Advertising	**75.9**	66.9	**250.4**	198.8
Subscription	**51.8**	49.9	**152.0**	149.6
Other	**62.9**	40.4	**161.2**	116.3
Sports and Entertainment	**49.1**	48.5	**113.8**	109.2
Inter-segments	**(31.0)**	(31.9)	**(88.8)**	(84.6)
	$ 1,148.2	$ 1,111.7	**$ 3,370.5**	$ 3,171.0

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Employee costs	**$ 211.3**	$ 202.4	**$ 655.0**	$ 621.0
Less employee costs capitalized to property, plant and equipment and intangible assets	**(39.2)**	(45.9)	**(137.0)**	(149.8)
	172.1	156.5	**518.0**	471.2
Purchase of goods and services:				
Royalties, rights and creation costs[1]	**171.1**	158.0	**548.9**	495.2
Cost of products sold	**130.0**	143.5	**362.2**	331.5
Service contracts	**46.8**	54.1	**151.1**	141.2
Marketing, circulation and distribution expenses	**20.4**	20.8	**60.9**	54.1
Other	**87.5**	65.4	**255.0**	252.0
	455.8	441.8	**1,378.1**	1,274.0
	$ 627.9	$ 598.3	**$ 1,896.1**	$ 1,745.2

1 In 2021, the Corporation reviewed the allocation of the value of the rights attached to the various components of its contract for the National Hockey League ("NHL") games to better reflect the economic benefits arising from them. In addition, the beginning of the 2020/2021 season was postponed from 2020 to 2021 and the season was also shortened. These changes had the effect of altering the timing of recognition in income of the NHL content rights. The cost of NHL rights therefore has increased by $13.3 million for the nine-month period ended September 30, 2021 as compared to 2020.

4. FINANCIAL EXPENSES

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Interest on long-term debt and on debentures	**$ 75.2**	$ 75.9	**$ 237.9**	$ 229.3
Amortization of financing costs	**1.8**	2.0	**6.2**	6.1
Interest on lease liabilities	**2.1**	1.9	**6.4**	5.7
Interest on net defined benefit liability	**2.2**	1.9	**6.6**	5.8
Loss (gain) on foreign currency translation on short-term monetary items	**2.7**	(1.6)	**(0.7)**	1.4
Other	**(0.2)**	–	**(2.5)**	0.8
	$ 83.8	$ 80.1	**$ 253.9**	$ 249.1

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

5. (GAIN) LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
(Gain) loss on embedded derivatives related to convertible debentures	**$ (5.8)**	$ 17.8	**$ (7.6)**	$ (9.4)
Other	**(0.2)**	0.8	**0.4**	0.5
	$ (6.0)	$ 18.6	**$ (7.2)**	$ (8.9)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and nine-month periods ended September 30, 2021, charges of $12.4 million and $17.8 million were recorded in connection with cost reduction initiatives in the Corporation's various segments ($11.8 million and $26.2 million in 2020), while an impairment charge on assets of $0.8 million was also recorded in the nine-month period ended September 30, 2021 ($7.3 million in the three-month and nine-month periods ended September 30, 2020).

On April 1, 2021, Alithya Group Inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of $19.6 million was recorded in the second quarter of 2021. This transaction also included purchase commitments from Quebecor for Alithya's services totalling approximately $360.0 million as part of a 10-year commercial agreement.

In addition, during the nine-month period ended September 30, 2021, the Corporation also recorded a gain related to other items of $2.7 million ($0.2 million and $0.4 million in the respective three-month and nine-month periods ended September 30, 2020).

7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian Government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was classified as restricted cash with a corresponding amount recorded as deferred subsidies in the consolidated balance sheet. During the respective three-month and nine-month periods ended September 30, 2021, $4.0 million and $13.9 million of these deferred subsidies were recognized in reduction of the additions to property, plant and equipment, upon the realization of the required investments.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

8. SPECTRUM LICENCES

On July 29, 2021, Quebecor announced an investment of nearly $830.0 million in the acquisition by Videotron of 294 blocks of spectrum in the 3500 MHz band across the country. More than half of the investment is concentrated in four Canadian provinces outside Québec: southern and eastern Ontario, Manitoba, Alberta and British Columbia. Videotron made an initial deposit of $166.0 million in the third quarter of 2021 for the acquisition of these spectrum licences. Innovation, Science and Economic Development Canada (“ISED”) had initially set October 4, 2021 as the date for payment of the balance. However, delivery of the licenses has been postponed to give ISED time to conduct technical consultations with respect to the 3500 MHz band. ISED has not yet determined the date on which the spectrum licences will be issued and delivered as well as the date the final payment of $664.0 million will become due.

In late August 2021, two competitors launched legal proceedings in Federal Court contesting the awarding of licences in the 3500 MHZ band in Western Canada to Videotron. These cases are currently before the Court. On October 22, 2021, the Federal Court dismissed an application for an interlocutory injunction filed by a competitor to halt the granting of spectrum licences in Western Canada.

9. LONG-TERM DEBT

Components of long-term debt are as follows:

	September 30, 2021	December 31, 2020
Total long-term debt	**$ 6,284.7**	$ 5,786.4
Change in fair value related to hedged interest rate risk	**11.7**	16.8
Financing costs, net of amortization	**(39.6)**	(29.8)
	6,256.8	5,773.4
Less current portion	**(35.3)**	(28.5)
	$ 6,221.5	$ 5,744.9

On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing costs of $6.0 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron’s ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first five years of the term of the Notes and at a decreasing premium thereafter.

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of $80.9 million was recorded in the consolidated statement of income in the second quarter of 2021, including a gain of $1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of $1,377.9 million, including the early redemption premium.

9. LONG-TERM DEBT (continued)

On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million. The Senior Notes are unsecured and contain certain restrictions, including limitations on Videotron's ability to incur additional indebtedness, pay dividends and make other distributions. The Notes are guaranteed by specific subsidiaries of Videotron and are redeemable at the option of Videotron, in whole or in part, at a price based on a make-whole formula during the first three years of the term of the Notes and at a decreasing premium thereafter. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes denominated in U.S. dollars by using cross-currency swaps.

As of September 30, 2021, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,242.7 million ($3,655.1 million as of December 31, 2020) while the net fair value of related hedging derivative instruments was in an asset position of $388.4 million ($605.1 million as of December 31, 2020).

10. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on May 12, 2021, on Quebecor Class B Subordinate Voting Shares ("Class B Shares") triggered an adjustment to the floor price and ceiling price then in effect. Effective on May 27, 2021, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $25.86 per share (that is, a maximum number of approximately 5,801,117 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $32.32 per share (that is, a minimum number of approximately 4,640,894 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended September 30, 2021 and 2020
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended September 30		Nine months ended September 30	
	2021	2020	**2021**	2020
Income from continuing operations attributable to shareholders	**$ 173.1**	$ 140.9	**$ 417.9**	$ 413.6
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(4.7)**	(0.1)	**(4.3)**	(6.3)
Income from continuing operations attributable to shareholders, adjusted for dilution effect	**$ 168.4**	$ 140.8	**$ 413.6**	$ 407.3
Net income attributable to shareholders	**$ 173.1**	$ 140.9	**$ 417.9**	$ 447.4
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**(4.7)**	(0.1)	**(4.3)**	(6.3)
Net income attributable to shareholders, adjusted for dilution effect	**$ 168.4**	$ 140.8	**$ 413.6**	$ 441.1
Weighted average number of shares outstanding (in millions)	**242.7**	250.5	**244.8**	252.4
Potentially dilutive effect of convertible debentures of the Corporation and of stock options of the Corporation (in millions)	**4.8**	0.2	**4.8**	5.8
Weighted average number of diluted shares outstanding (in millions)	**247.5**	250.7	**249.6**	258.2

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares (“Class A Shares”) with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2020	77,039,834	$ 8.6	171,132,357	$ 1,009.2
Class A Shares converted into Class B Shares	(55,800)	–	55,800	–
Shares purchased and cancelled	–	–	(7,064,650)	(41.7)
Balance as of September 30, 2021	**76,984,034**	**$ 8.6**	**164,123,507**	**$ 967.5**

On August 4, 2021, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the nine-month period ended September 30, 2021, the Corporation purchased and cancelled 7,064,650 Class B Shares for a total cash consideration of $225.9 million (4,695,800 Class B Shares for a total cash consideration of $143.4 million in 2020). The excess of $184.2 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($115.7 million in 2020).

On November 3, 2021, the Board of Directors of the Corporation declared a dividend of $0.275 per share on Class A Shares and Class B Shares, or approximately $66.3 million, payable on December 14, 2021, to shareholders of record at the close of business on November 19, 2021.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participate, for the nine-month period ended September 30, 2021:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2020	3,630,959	$ 30.57
Granted	100,000	31.49
Cancelled	(675,316)	30.44
As of September 30, 2021	**3,055,643**	**$ 30.63**
Vested options as of September 30, 2021	**–**	**$ –**
Quebecor Media		
As of December 31, 2020	47,950	$ 65.96
Exercised	(47,950)	65.96
As of September 30, 2021	**–**	**$ –**
TVA Group Inc.		
As of December 31, 2020	795,000	$ 2.06
Cancelled	(105,497)	2.43
As of September 30, 2021	**689,503**	**$ 2.00**
Vested options as of September 30, 2021	**25,000**	**$ 6.85**

During the three-month period ended September 30, 2021, 32,650 stock options of Quebecor Media were exercised for a cash consideration of $2.2 million (5,000 stock options for $0.2 million in 2020). During the nine-month period ended September 30, 2021, 47,950 stock options of Quebecor Media were exercised for a cash consideration of $3.2 million (77,500 stock options for $4.5 million in 2020).

Deferred share unit and performance share unit plans

The deferred share unit (“DSU”) is based either on Quebecor Class B Shares or on TVA Group Inc. Class B Non-Voting Shares (“TVA Group Class B Shares”). The DSUs vest over six years and will be redeemed for cash only upon the participant’s retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of September 30, 2021, 133,984 DSUs based on Quebecor Class B Shares and 163,839 DSUs based on TVA Group Class B Shares were outstanding under these plans (148,785 and 204,598, respectively, as of December 31, 2020). During the first quarter of 2020, a cash consideration of $4.8 million was paid relating to a performance share unit plan terminated in 2020.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

13. STOCK-BASED COMPENSATION PLANS (continued)

Stock-based compensation expense

For the three-month period ended September 30, 2021, a reversal of the charge related to all stock-based compensation plans was recorded in the amount of $1.2 million (a charge of $5.2 million in 2020). For the nine-month period ended September 30, 2021, a charge related to all stock-based compensation plans was recorded in the amount of $0.5 million ($3.6 million in 2020).

14. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Defined benefit plans[2]	Equity investment	Total
Balance as of December 31, 2019	$ 40.3	$ (104.4)	$ –	$ (64.1)
Other comprehensive income (loss)	16.4	(59.7)	–	(43.3)
Balance as of September 30, 2020	56.7	(164.1)	–	(107.4)
Other comprehensive (loss) income	(27.1)	0.6	–	(26.5)
Balance as of December 31, 2020	29.6	(163.5)	–	(133.9)
Other comprehensive income	12.1	138.0	2.1	152.2
Balance as of September 30, 2021	**$ 41.7**	**$ (25.5)**	**$ 2.1**	**$ 18.3**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 3/4-year period.

2 The re-measurement gain in the consolidated statement of comprehensive income for the nine-month period ended September 30, 2021 is mainly due to an increase in the discount rate since December 31, 2020.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The fair value of derivative financial instruments recognized in the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk impacted by the financial and economic environment prevailing at the date of the valuation in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of September 30, 2021 and December 31, 2020 are as follows:

	September 30, 2021		December 31, 2020	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,284.7)**	**$ (6,492.9)**	$ (5,786.4)	$ (6,216.1)
Convertible debentures[2]	**(146.6)**	**(146.6)**	(153.5)	(153.5)
Derivative financial instruments				
Foreign exchange forward contracts	**1.2**	**1.2**	(8.0)	(8.0)
Cross-currency swaps	**388.4**	**388.4**	605.1	605.1

[1] The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

[2] The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

16. CONTINGENCIES

In the context of disputes between the Corporation and a competitor, legal proceedings have been initiated by the Corporation and against the Corporation. At this stage of proceedings, management of the Corporation is in the opinion that the outcome is not expected to have a material adverse effect on the Corporation's results or on its financial position.

On August 15, 2019, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued an order to finalize the rates, retroactively to March 31, 2016, at which the large cable and telephone companies provide aggregated wholesale access to their high-speed Internet networks. The interim rates in effect since 2016 had been invoiced to resellers and accounted for in the Corporation's consolidated financial statements on the basis of the effective date of March 31, 2016. The new proposed rates were substantially lower than the interim rates. On May 27, 2021, the CRTC restored, in a final decision, the interim rates that had been in effect since 2016. Accordingly, no adjustments are necessary to the consolidated financial statements.

17. DISCONTINUED OPERATIONS

In the second quarter of 2020, a gain of $30.8 million, net of income taxes of $4.7 million, was recorded as certain adjusting conditions to the sale price were achieved in connection to the 4Degrees Colocation Inc. data center operations sold in 2019 by Videotron.

This is Exhibit 69 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month and six-month periods ended June 30, 2022 and 2021

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended June 30 2022	Three months ended June 30 2021	Six months ended June 30 2022	Six months ended June 30 2021
Revenues	2	**$ 1,115.2**	$ 1,131.2	**$ 2,203.2**	$ 2,222.3
Employee costs	3	**177.2**	169.5	**356.3**	345.9
Purchase of goods and services	3	**446.6**	460.3	**913.4**	922.3
Depreciation and amortization		**191.6**	196.6	**386.3**	391.9
Financial expenses	4	**82.0**	87.0	**159.5**	170.1
Loss (gain) on valuation and translation of financial instruments	5	**2.1**	(7.0)	**9.4**	(1.2)
Restructuring of operations and other items	6	**3.5**	(20.6)	**4.4**	(16.1)
Loss on debt refinancing	8	**-**	80.9	**-**	80.9
Income before income taxes		**212.2**	164.5	**373.9**	328.5
Income taxes (recovery):					
Current		**70.0**	64.4	**144.4**	127.8
Deferred		**(14.1)**	(24.6)	**(43.9)**	(44.0)
		55.9	39.8	**100.5**	83.8
Net income		**$ 156.3**	$ 124.7	**$ 273.4**	$ 244.7
Net income (loss) attributable to					
Shareholders		**$ 157.4**	$ 123.5	**$ 278.8**	$ 244.8
Non-controlling interests		**(1.1)**	1.2	**(5.4)**	(0.1)
Earnings per share attributable to shareholders	10				
Basic		**$ 0.66**	$ 0.50	**$ 1.17**	$ 1.00
Diluted		**0.66**	0.47	**1.17**	0.98
Weighted average number of shares outstanding (in millions)		**236.7**	245.0	**237.9**	245.8
Weighted average number of diluted shares (in millions)		**236.8**	249.9	**238.0**	250.7

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 **2022**	Three months ended June 30 2021	Six months ended June 30 **2022**	Six months ended June 30 2021
Net income		**$ 156.3**	$ 124.7	**$ 273.4**	$ 244.7
Other comprehensive income (loss):					
Items that may be reclassified to income:					
Cash flow hedges:					
Gain (loss) on valuation of derivative financial instruments		**4.4**	(1.6)	**(14.0)**	(4.2)
Deferred income taxes		**(1.9)**	2.9	**2.0**	4.8
Loss on translation of investments in foreign associates		**(0.7)**	-	**(5.0)**	-
Items that will not be reclassified to income:					
Defined benefit plans:					
Re-measurement gain (loss)	13	**109.2**	(2.5)	**217.2**	174.5
Deferred income taxes		**(29.2)**	0.5	**(57.8)**	(46.4)
Equity investment:					
Loss on revaluation of an equity investment		**(0.9)**	-	**(1.1)**	-
Reclassification to income:	8				
Gain related to cash flow hedges		**-**	(1.0)	**-**	(1.0)
Deferred income taxes		**-**	0.6	**-**	0.6
		80.9	(1.1)	**141.3**	128.3
Comprehensive income		**$ 237.2**	$ 123.6	**$ 414.7**	$ 373.0
Comprehensive income attributable to					
Shareholders		**$ 235.0**	$ 120.8	**$ 413.4**	$ 364.7
Non-controlling interests		**2.2**	2.8	**1.3**	8.3

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended June 30, 2022

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	**$ 912.6**	**$ 188.1**	**$ 45.0**	**$ (30.5)**	**$ 1,115.2**
Employee costs	**101.2**	**58.9**	**10.9**	**6.2**	**177.2**
Purchase of goods and services	**323.9**	**125.1**	**29.4**	**(31.8)**	**446.6**
Adjusted EBITDA[1]	**487.5**	**4.1**	**4.7**	**(4.9)**	**491.4**
Depreciation and amortization					**191.6**
Financial expenses					**82.0**
Loss on valuation and translation of financial instruments					**2.1**
Restructuring of operations and other items					**3.5**
Income before income taxes					**$ 212.2**
Cash flows used for					
Additions to property, plant and equipment[2]	**$ 96.4**	**$ 7.3**	**$ 0.2**	**$ 0.3**	**$ 104.2**
Additions to intangible assets	**18.8**	**4.1**	**0.6**	**0.3**	**23.8**

Three months ended June 30, 2021

	Telecommuni-cations	Media	Sports and Enter-tainment	Head office and Inter-segments	Total
Revenues	$ 928.4	$ 198.2	$ 33.5	$ (28.9)	$ 1,131.2
Employee costs	101.7	55.9	7.1	4.8	169.5
Purchase of goods and services	345.2	125.6	23.3	(33.8)	460.3
Adjusted EBITDA[1]	481.5	16.7	3.1	0.1	501.4
Depreciation and amortization					196.6
Financial expenses					87.0
Gain on valuation and translation of financial instruments					(7.0)
Restructuring of operations and other items					(20.6)
Loss on debt refinancing					80.9
Income before income taxes					$ 164.5
Cash flows used for					
Additions to property, plant and equipment[2]	$ 101.3	$ 3.3	$ -	$ 0.9	$ 105.5
Additions to intangible assets	42.1	7.1	0.6	0.6	50.4

QUEBECOR INC.
SEGMENTED INFORMATION (continued)

(in millions of Canadian dollars)
(unaudited)

Six months ended June 30, 2022

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 1,816.0**	**$ 369.9**	**$ 79.1**	**$ (61.8)**	**$ 2,203.2**
Employee costs	**202.5**	**118.8**	**21.0**	**14.0**	**356.3**
Purchase of goods and services	**666.0**	**258.9**	**53.5**	**(65.0)**	**913.4**
Adjusted EBITDA [1]	**947.5**	**(7.8)**	**4.6**	**(10.8)**	**933.5**
Depreciation and amortization					**386.3**
Financial expenses					**159.5**
Loss on valuation and translation of financial instruments					**9.4**
Restructuring of operations and other items					**4.4**
Income before income taxes					**$ 373.9**
Cash flows used for					
Additions to property, plant and equipment [2]	**$ 185.6**	**$ 12.9**	**$ 0.3**	**$ 0.7**	**$ 199.5**
Additions to intangible assets	**44.8**	**6.9**	**1.3**	**0.6**	**53.6**

Six months ended June 30, 2021

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 1,842.4	$ 373.0	$ 64.7	$ (57.8)	$ 2,222.3
Employee costs	206.2	111.0	14.6	14.1	345.9
Purchase of goods and services	703.8	244.0	44.9	(70.4)	922.3
Adjusted EBITDA [1]	932.4	18.0	5.2	(1.5)	954.1
Depreciation and amortization					391.9
Financial expenses					170.1
Gain on valuation and translation of financial instruments					(1.2)
Restructuring of operations and other items					(16.1)
Loss on debt refinancing					80.9
Income before income taxes					$ 328.5
Cash flows used for					
Additions to property, plant and equipment [2]	$ 208.9	$ 7.1	$ 0.1	$ 1.2	$ 217.3
Additions to intangible assets	93.4	13.2	1.5	1.1	109.2

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss (gain) on valuation and translation of financial instruments, restructuring of operations and other items, loss on debt refinancing and income taxes.

[2] Subsidies of $46.1 million and $77.8 million in the respective three-month and six-month periods ended June 30, 2022 ($4.4 million and $9.9 million in 2021) related to the roll-out of high-speed internet services in various regions of Quebec are presented as a reduction of the corresponding additions to property, plant and equipment in the Telecommunications segment (see note 7).

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 11)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income (note 13)		
Balance as of December 31, 2020	$ 1,017.8	$ 17.4	$ 211.3	$ (133.9)	$ 101.5	$ 1,214.1
Net income (loss)	-	-	244.8	-	(0.1)	244.7
Other comprehensive income	-	-	-	119.9	8.4	128.3
Dividends	-	-	(135.0)	-	(0.1)	(135.1)
Repurchase of Class B Shares	(24.0)	-	(107.5)	-	-	(131.5)
Balance as of June 30, 2021	993.8	17.4	213.6	(14.0)	109.7	1,320.5
Net income	-	-	333.6	-	10.1	343.7
Other comprehensive (loss) income	-	-	-	(5.3)	3.4	(1.9)
Dividends	-	-	(132.6)	-	-	(132.6)
Repurchase of Class B Shares	(28.6)	-	(122.3)	-	-	(150.9)
Balance as of December 31, 2021	965.2	17.4	292.3	(19.3)	123.2	1,378.8
Net income (loss)	-	-	278.8	-	(5.4)	273.4
Other comprehensive income	-	-	-	134.6	6.7	141.3
Dividends	-	-	(142.7)	-	(0.2)	(142.9)
Repurchase of Class B Shares	(24.8)	-	(98.3)	-	-	(123.1)
Balance as of June 30, 2022	**$ 940.4**	**$ 17.4**	**$ 330.1**	**$ 115.3**	**$ 124.3**	**$ 1,527.5**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended June 30 2022	Three months ended June 30 2021	Six months ended June 30 2022	Six months ended June 30 2021
Cash flows related to operating activities					
Net income		**$ 156.3**	$ 124.7	**$ 273.4**	$ 244.7
Adjustments for:					
Depreciation of property, plant and equipment		**138.3**	145.8	**277.6**	292.0
Amortization of intangible assets		**42.9**	40.6	**87.9**	79.5
Amortization of right-of-use assets		**10.4**	10.2	**20.8**	20.4
Loss (gain) on valuation and translation of financial instruments	5	**2.1**	(7.0)	**9.4**	(1.2)
Loss (gain) on disposal of other assets	6	**0.6**	(19.5)	**0.6**	(19.0)
Impairment of assets	6	**-**	-	**-**	0.8
Loss on debt refinancing	8	**-**	80.9	**-**	80.9
Amortization of financing costs	4	**1.7**	2.2	**3.5**	4.4
Deferred income taxes		**(14.1)**	(24.6)	**(43.9)**	(44.0)
Other		**(2.9)**	(0.3)	**(2.8)**	(0.7)
		335.3	353.0	**626.5**	657.8
Net change in non-cash balances related to operating activities		**(93.6)**	(123.3)	**(157.1)**	(166.5)
Cash flows provided by operating activities		**241.7**	229.7	**469.4**	491.3
Cash flows related to investing activities					
Additions to property, plant and equipment	7	**(104.2)**	(105.5)	**(199.5)**	(217.3)
Deferred subsidies (used) received to finance additions to property, plant and equipment	1,7	**(46.1)**	(4.4)	**(77.8)**	206.3
		(150.3)	(109.9)	**(277.3)**	(11.0)
Additions to intangible assets		**(23.8)**	(50.4)	**(53.6)**	(109.2)
Business acquisitions		**(3.8)**	(6.7)	**(3.8)**	(21.8)
Proceeds from disposals of assets		**4.1**	3.0	**5.5**	3.1
Acquisitions of investments and other		**(2.3)**	(7.2)	**(6.4)**	(8.0)
Cash flows used in investing activities		**(176.1)**	(171.2)	**(335.6)**	(146.9)
Cash flows related to financing activities					
Net change in bank indebtedness		**(3.6)**	2.3	**21.6**	3.9
Net change under revolving facilities		**126.2**	25.9	**0.1**	22.8
Issuance of long-term debt, net of financing costs	8	**-**	1,342.8	**-**	1,986.8
Repayment of long-term debt		**(0.3)**	(0.2)	**(0.7)**	(0.6)
Repayment of lease liabilities		**(11.1)**	(10.8)	**(21.4)**	(21.0)
Settlement of hedging contracts		**(0.8)**	(0.8)	**(0.8)**	(0.8)
Repurchase of Class B Shares	11	**(97.1)**	(47.1)	**(123.1)**	(131.5)
Dividends		**(142.7)**	(135.0)	**(142.7)**	(135.0)
Dividends paid to non-controlling interests		**(0.1)**	-	**(0.2)**	(0.1)
Cash flows (used in) provided by financing activities		**(129.5)**	1,177.1	**(267.2)**	1,724.5
Net change in cash, cash equivalents and restricted cash		**(63.9)**	1,235.6	**(133.4)**	2,068.9
Cash, cash equivalents and restricted cash at beginning of period		**157.6**	970.0	**227.1**	136.7
Cash, cash equivalents and restricted cash at end of period		**$ 93.7**	$ 2,205.6	**$ 93.7**	$ 2,205.6
Cash, cash equivalents and restricted cash consist of					
Cash		**$ 9.1**	$ 1,998.5	**$ 9.1**	$ 1,998.5
Cash equivalents		**-**	0.8	**-**	0.8
Restricted cash	1	**84.6**	206.3	**84.6**	206.3
		$ 93.7	$ 2,205.6	**$ 93.7**	$ 2,205.6
Interest and taxes reflected as operating activities					
Cash interest payments		**$ 128.4**	$ 117.5	**$ 154.5**	$ 156.1
Cash income tax payments (net of refunds)		**59.6**	54.3	**158.5**	167.1

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	June 30 2022	December 31 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 9.1**	$ 64.7
Restricted cash	7	**84.6**	162.4
Accounts receivable		**748.3**	745.1
Contract assets		**78.5**	129.4
Income taxes		**17.3**	7.3
Inventories		**349.5**	282.6
Derivative financial instruments		**263.3**	-
Other current assets		**145.4**	132.0
		1,696.0	1,523.5
Non-current assets			
Property, plant and equipment		**2,977.4**	3,058.7
Intangible assets		**2,304.9**	2,344.1
Right-of-use assets		**148.7**	152.3
Goodwill		**2,718.5**	2,718.5
Derivative financial instruments		**151.2**	405.6
Deferred income taxes		**18.8**	39.2
Other assets		**655.8**	521.1
		8,975.3	9,239.5
Total assets		**$ 10,671.3**	$ 10,763.0
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 21.6**	$ -
Accounts payable, accrued charges and provisions		**794.9**	861.0
Deferred revenue		**287.1**	309.7
Deferred subsidies	7	**84.6**	162.4
Income taxes		**35.1**	47.4
Current portion of long-term debt	8	**1,171.4**	56.5
Current portion of lease liabilities		**37.0**	36.1
		2,431.7	1,473.1
Non-current liabilities			
Long-term debt	8	**5,393.0**	6,467.9
Derivative financial instruments		**8.5**	23.3
Convertible debentures	9	**150.0**	150.0
Lease liabilities		**141.6**	147.1
Deferred income taxes		**820.9**	829.6
Other liabilities		**198.1**	293.2
		6,712.1	7,911.1
Equity			
Capital stock	11	**940.4**	965.2
Contributed surplus		**17.4**	17.4
Retained earnings		**330.1**	292.3
Accumulated other comprehensive income (loss)	13	**115.3**	(19.3)
Equity attributable to shareholders		**1,403.2**	1,255.6
Non-controlling interests		**124.3**	123.2
		1,527.5	1,378.8
Commitments	15		
Total liabilities and equity		**$ 10,671.3**	$ 10,763.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal, Québec, Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment rental and postproduction services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural event management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, as they may affect advertising expenditures of corporations. Accordingly, the results of operations for interim periods of the Media segment should not necessarily be considered indicative of full-year results due to the seasonality of certain of its operations.

Since March 2020, the COVID-19 pandemic has had an impact on some of the Corporation's quarterly results, more particularly in the Media and the Sports and Entertainment segments. Given the uncertainty around the future evolution of the pandemic, including any new major waves, all future impacts of the health crisis on the results of operations cannot be determined with certainty.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2021 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on August 3, 2022.

Comparative figures for previous periods have been restated to conform to the presentation adopted for the three-month and six-month periods ended June 30, 2022.

In particular, as of the second quarter of 2022, restricted cash is presented with cash and cash equivalents on the consolidated statements of cash flows, in line with the IFRS Interpretations Committee's agenda decision finalized in the second quarter of 2022 that clarifies the presentation of cash subject to contractual restrictions agreed with a third party (see note 7). Prior period information has been restated to reflect the new presentation. Accordingly, deferred subsidies used to finance additions to property, plant and equipment related to the roll-out of high-speed Internet services in various regions of Québec are now presented under investing activities, which has the effect of increasing cash used in investing activities by $46.1 million and $77.8 million for the three-month and six-month periods ended June 30, 2022 respectively ($4.4 million increase and $206.3 million decrease for the three-month and six-month periods ended June 30, 2021).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. REVENUES

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Telecommunications:				
Internet	**$ 304.9**	$ 301.8	**$ 603.5**	$ 598.4
Television	**200.4**	211.3	**397.7**	424.5
Mobile telephony	**191.8**	174.8	**379.1**	345.3
Wireline telephony	**73.7**	80.7	**148.9**	161.4
Mobile equipment sales	**73.0**	63.0	**136.8**	123.5
Wireline equipment sales	**20.5**	50.2	**52.8**	96.9
Other	**48.3**	46.6	**97.2**	92.4
Media:				
Advertising	**89.1**	98.4	**168.3**	174.5
Subscription	**49.3**	50.8	**97.6**	100.2
Other	**49.7**	49.0	**104.0**	98.3
Sports and Entertainment	**45.0**	33.5	**79.1**	64.7
Inter-segments	**(30.5)**	(28.9)	**(61.8)**	(57.8)
	$ 1,115.2	$ 1,131.2	**$ 2,203.2**	$ 2,222.3

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Employee costs	**$ 212.2**	$ 219.4	**$ 430.8**	$ 443.7
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(35.0)**	(49.9)	**(74.5)**	(97.8)
	177.2	169.5	**356.3**	345.9
Purchase of goods and services:				
Royalties, rights and creation costs	**183.0**	195.0	**384.5**	377.8
Cost of products sold	**111.9**	116.3	**218.9**	232.2
Service contracts	**33.3**	49.4	**73.4**	104.3
Marketing, circulation and distribution expenses	**19.4**	21.8	**39.3**	40.5
Other	**99.0**	77.8	**197.3**	167.5
	446.6	460.3	**913.4**	922.3
	$ 623.8	$ 629.8	**$ 1,269.7**	$ 1,268.2

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

4. FINANCIAL EXPENSES

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Interest on long-term debt and on debentures	**$ 74.9**	$ 83.1	**$ 149.7**	$ 162.7
Amortization of financing costs	**1.7**	2.2	**3.5**	4.4
Interest on lease liabilities	**2.1**	2.1	**4.1**	4.3
Interest on net defined benefit liability	**1.3**	2.2	**2.5**	4.4
Loss (gain) on foreign currency translation on short-term monetary items	**1.8**	(2.2)	**0.7**	(3.4)
Other	**0.2**	(0.4)	**(1.0)**	(2.3)
	$ 82.0	$ 87.0	**$ 159.5**	$ 170.1

5. LOSS (GAIN) ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Loss (gain) on embedded derivatives related to convertible debentures	**$ 1.9**	$ (7.5)	**$ 9.1**	$ (1.8)
Other	**0.2**	0.5	**0.3**	0.6
	$ 2.1	$ (7.0)	**$ 9.4**	$ (1.2)

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the respective three-month and six-month periods ended June 30, 2022, charges of $1.2 million and $1.9 million were recorded in connection with cost reduction initiatives in the Corporation's various segments ($2.2 million and $5.0 million in 2021), while an impairment charge on assets of $0.8 million was also recorded in the six-month period ended June 30, 2021.

On April 1, 2021, Alithya Group Inc. ("Alithya"), a strategy and digital transformation leader, acquired the firm R3D Conseil inc., of which Quebecor was one of the main shareholders. As a result of this transaction, the Corporation now holds 11.9% of Alithya's share capital and 6.7% of voting rights related to the issued and outstanding shares of Alithya, and a corresponding gain on disposal of $19.6 million was recorded in the second quarter of 2021.

In addition, during the respective three-month and six-month periods ended June 30, 2022, the Corporation also recorded charges related to other items of $2.3 million and $2.5 million (gains of $3.2 million and $2.3 million in 2021).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron Ltd. ("Videotron") and the Québec government, jointly with the Canadian government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, the government is committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's high-speed Internet network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was recorded as deferred subsidies on the consolidated balance sheets (balance of $84.6 million as of June 30, 2022). When the required investments as per the program are realized, corresponding subsidies are recognized as a reduction of additions to property, plant and equipment.

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	June 30, 2022	December 31, 2021
Total long-term debt	**$ 6,603.4**	$ 6,554.0
Change in fair value related to hedged interest rate risk	**(1.8)**	8.3
Financing costs, net of amortization	**(37.2)**	(37.9)
	6,564.4	6,524.4
Less current portion	**(1,171.4)**	(56.5)
	$ 5,393.0	$ 6,467.9

As of June 30, 2022, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,382.8 million ($3,245.9 million as of December 31, 2021) while the net fair value of related hedging derivative instruments was in an asset position of $404.0 million ($381.4 million as of December 31, 2021).

2022

On February 15, 2022, TVA Group Inc. ("TVA Group") amended its $75.0 million secured revolving credit facility to extend its term to February 2023 and amended certain of its terms and conditions.

On May 20, 2022, Videotron amended its $1,500.0 million secured revolving credit facility to extend its term to July 2026 and Quebecor Media amended its $300.0 million secured revolving credit facility to extend its term to July 2025. Certain terms and conditions of these credit facilities were also amended.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. LONG-TERM DEBT (continued)

2021

On January 22, 2021, Videotron issued $650.0 million aggregate principal amount of Senior Notes bearing interest at 3.125% and maturing on January 15, 2031, for net proceeds of $644.0 million, net of financing costs of $6.0 million.

On June 3, 2021, Quebecor Media issued a redemption notice for its Senior Notes in aggregate principal amount of $500.0 million, bearing interest at 6.625% and due January 15, 2023, at a redemption price of 107.934% of their principal amount. Videotron also issued a redemption notice for its Senior Notes in aggregate principal amount of US$800.0 million, bearing interest at 5.000% and due July 15, 2022, at a redemption price of 104.002% of their principal amount. As a result, a net loss of $80.9 million was recorded in the consolidated statement of income in the second quarter of 2021, including a gain of $1.0 million previously recorded in other comprehensive income. In July 2021, the Senior Notes were redeemed and the related hedging contracts were unwound, for a total cash consideration of $1,377.9 million.

On June 17, 2021, Videotron issued $750.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2028, for net proceeds of $743.2 million, net of financing costs of $6.8 million. Videotron also issued US$500.0 million aggregate principal amount of Senior Notes bearing interest at 3.625% and maturing on June 15, 2029, for net proceeds of $599.6 million, net of financing costs of $5.8 million. Videotron has fully hedged the foreign currency risk associated with the new Senior Notes denominated in U.S. dollars by using cross-currency swaps.

9. CONVERTIBLE DEBENTURES

In accordance with the terms of the trust indenture governing the convertible debentures, the quarterly dividend declared on May 11, 2022, on Quebecor Class B Subordinate Voting Shares (“Class B Shares”) triggered an adjustment to the floor price and ceiling price then in effect. Effective on May 26, 2022, the conversion features of the convertible debentures are subject to an adjusted floor price of approximately $25.07 per share (that is, a maximum number of approximately 5,984,010 Class B Shares corresponding to a ratio of $150.0 million to the adjusted floor price) and an adjusted ceiling price of approximately $31.33 per share (that is, a minimum number of approximately 4,787,208 Class B Shares corresponding to a ratio of $150.0 million to the adjusted ceiling price).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share attributable to shareholders:

	Three months ended June 30		Six months ended June 30	
	2022	2021	**2022**	2021
Net income attributable to shareholders	**$ 157.4**	$ 123.5	**$ 278.8**	$ 244.8
Impact of assumed conversion of convertible debentures of the Corporation and of stock options of subsidiaries	**–**	(6.4)	**–**	0.3
Net income attributable to shareholders, adjusted for dilution effect	**$ 157.4**	$ 117.1	**$ 278.8**	$ 245.1
Weighted average number of shares outstanding (in millions)	**236.7**	245.0	**237.9**	245.8
Potentially dilutive effect of convertible debentures and of stock options of the Corporation (in millions)	**0.1**	4.9	**0.1**	4.9
Weighted average number of diluted shares outstanding (in millions)	**236.8**	249.9	**238.0**	250.7

For the three-month and six-month periods ended June 30, 2022, the diluted earnings per share calculation does not take into consideration the potential dilutive effect of convertible debentures of the Corporation since their impact is anti-dilutive.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Shares on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		Class B Shares	
	Number	Amount	Number	Amount
Balance as of December 31, 2021	76,984,034	$ 8.6	162,273,507	$ 956.6
Shares purchased and cancelled	–	–	(4,202,951)	(24.8)
Balance as of June 30, 2022	**76,984,034**	**$ 8.6**	**158,070,556**	**$ 931.8**

Repurchase of shares

On August 4, 2021, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On April 27, 2022, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 10,000,000 Class B Shares, representing approximately 6.8% of the Class B Shares public float as of July 30, 2021. No other terms of the normal course issuer bid have been amended.

On August 3, 2022, the Corporation authorized a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.8% of issued and outstanding Class B Shares as of July 29, 2022. The purchases can be made from August 15, 2022 to August 14, 2023, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

During the six-month period ended June 30, 2022, the Corporation purchased and cancelled 4,202,951 Class B Shares for a total cash consideration of $123.1 million (4,073,200 Class B Shares for a total cash consideration of $131.5 million in 2021). The excess of $98.3 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($107.5 million in 2021).

Dividends

On August 3, 2022, the Board of Directors of the Corporation declared a dividend of $0.30 per share on Class A Shares and Class B Shares, or approximately $70.5 million, payable on September 13, 2022, to shareholders of record at the close of business on August 19, 2022.

(tabular amounts in millions of Canadian dollars, except for per share data and option data)

12. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participate, for the six-month period ended June 30, 2022:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2021	2,379,600	$ 30.74
Exercised	(19,999)	26.52
Cancelled	(137,785)	31.04
As of June 30, 2022	**2,221,816**	**$ 30.76**
Vested options as of June 30, 2022	**429,526**	**$ 29.44**
TVA Group		
As of December 31, 2021 and June 30, 2022	**369,503**	**$ 2.09**
Vested options as of June 30, 2022	**82,664**	**$ 3.53**

During the three-month period ended June 30, 2021, 5,000 stock options of Quebecor Media were exercised for a cash consideration of $0.3 million. During the six-month period ended June 30, 2021, 15,300 stock options of Quebecor Media were exercised for a cash consideration of $1.0 million.

Deferred share unit plan

The deferred share unit ("DSU") is based either on Quebecor Class B Shares or on TVA Group Inc. Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of June 30, 2022, 92,930 DSUs based on Quebecor Class B Shares and 127,464 DSUs based on TVA Group Class B Shares were outstanding under these plans (96,909 and 128,064 respectively as of December 31, 2021)

Stock-based compensation expense

For the three-month period ended June 30, 2022, a reversal of the charge of $0.1 million was recorded related to all stock-based compensation plans (a reversal of the charge of $1.9 million in 2021). For the six-month period ended June 30, 2022, a charge of $2.1 million was recorded related to all stock-based compensation plans ($1.7 million in 2021).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Translation of investments in foreign associates	Defined benefit plans[2]	Equity investment	Total
Balance as of December 31, 2020	$ 29.6	$ –	$ (163.5)	$ –	$ (133.9)
Other comprehensive income	0.2	–	119.7	–	119.9
Balance as of June 30, 2021	29.8	–	(43.8)	–	(14.0)
Other comprehensive income (loss)	2.9	(17.6)	7.8	1.6	(5.3)
Balance as of December 31, 2021	32.7	(17.6)	(36.0)	1.6	(19.3)
Other comprehensive (loss) income	(12.0)	(5.0)	152.7	(1.1)	134.6
Balance as of June 30, 2022	**$ 20.7**	**$ (22.6)**	**$ 116.7**	**$ 0.5**	**$ 115.3**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7-year period.

2 Re-measurement gains in the consolidated statement of comprehensive income for the three-month and six-month periods ended June 30, 2022 are mainly due to an increase in the discount rate since December 31, 2021, net of a decrease of the fair value of defined pension plan assets.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy, which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option-pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month and six-month periods ended June 30, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022		December 31, 2021	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,603.4)**	**$ (5,977.7)**	$ (6,554.0)	$ (6,660.4)
Convertible debentures[2]	**(149.0)**	**(149.0)**	(139.5)	(139.5)
Derivative financial instruments				
Foreign exchange forward contracts	**2.6**	**2.6**	0.9	0.9
Cross-currency swaps	**403.4**	**403.4**	381.4	381.4

[1] The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

[2] The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

15. COMMITMENTS

On June 17, 2022, Videotron entered into an agreement with Rogers Communications Inc. (“Rogers”) and Shaw Communications Inc. (“Shaw”) to acquire Freedom Mobile Inc. (“Freedom Mobile”) for $2.85 billion on a cash-free and debt-free basis. The agreement, which is conditional on regulatory approval, provides for the acquisition of the Freedom Mobile brand’s entire wireless and Internet customer base, as well as its owned infrastructure, spectrum and retail outlets. It also includes a long-term undertaking by Shaw and Rogers to provide Videotron with transport services (including backhaul and backbone) and roaming services. This agreement will support the expansion of the Corporation’s telecommunications services in Ontario and Western Canada. The transaction is conditional, among other things, on clearance under the Competition Act and the approval of Innovation, Science and Economic Development Canada and would close substantially concurrently with closing of the acquisition of Shaw by Rogers. Videotron has secured the committed debt financing required for this transaction.

This is Exhibit 70 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Condensed consolidated financial statements of

QUEBECOR INC.

Three-month periods ended March 31, 2022 and 2021

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF INCOME

(in millions of Canadian dollars, except for earnings per share data)
(unaudited)

	Note	Three months ended March 31 2022	Three months ended March 31 2021
Revenues	2	**$ 1,088.0**	$ 1,091.1
Employee costs	3	**179.1**	176.4
Purchase of goods and services	3	**466.8**	462.0
Depreciation and amortization		**194.7**	195.3
Financial expenses	4	**77.5**	83.1
Loss on valuation and translation of financial instruments	5	**7.3**	5.8
Restructuring of operations and other items	6	**0.9**	4.5
Income before income taxes		**161.7**	164.0
Income taxes (recovery):			
Current		**74.4**	63.4
Deferred		**(29.8)**	(19.4)
		44.6	44.0
Net income		**$ 117.1**	$ 120.0
Net income (loss) attributable to			
Shareholders		**$ 121.4**	$ 121.3
Non-controlling interests		**(4.3)**	(1.3)
Earnings per share attributable to shareholders	9		
Basic and diluted		**$ 0.51**	$ 0.49
Weighted average number of shares outstanding (in millions)		**239.2**	246.7
Weighted average number of diluted shares (in millions)		**239.2**	246.9

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of Canadian dollars) (unaudited)	Three months ended March 31	
	2022	2021
Net income	**$ 117.1**	$ 120.0
Other comprehensive income:		
Items that may be reclassified to income:		
Cash flow hedges:		
Loss on valuation of derivative financial instruments	**(18.4)**	(2.6)
Deferred income taxes	**3.9**	1.9
Loss on translation of investments in foreign associates	**(4.3)**	-
Items that will not be reclassified to income:		
Defined benefit plans:		
Re-measurement gain	**108.0**	177.0
Deferred income taxes	**(28.6)**	(46.9)
Equity investment:		
Loss on revaluation of an equity investment	**(0.2)**	-
	60.4	129.4
Comprehensive income	**$ 177.5**	$ 249.4
Comprehensive income attributable to		
Shareholders	**$ 178.4**	$ 243.9
Non-controlling interests	**(0.9)**	5.5

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
SEGMENTED INFORMATION

(in millions of Canadian dollars)
(unaudited)

Three months ended March 31, 2022

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	**$ 903.4**	**$ 181.8**	**$ 34.1**	**$ (31.3)**	**$ 1,088.0**
Employee costs	**101.3**	**59.9**	**10.1**	**7.8**	**179.1**
Purchase of goods and services	**342.1**	**133.8**	**24.1**	**(33.2)**	**466.8**
Adjusted EBITDA [1]	**460.0**	**(11.9)**	**(0.1)**	**(5.9)**	**442.1**
Depreciation and amortization					**194.7**
Financial expenses					**77.5**
Loss on valuation and translation of financial instruments					**7.3**
Restructuring of operations and other items					**0.9**
Income before income taxes					**$ 161.7**
Cash flows used for					
Additions to property, plant and equipment	**$ 89.2**	**$ 5.6**	**$ 0.1**	**$ 0.4**	**$ 95.3**
Additions to intangible assets	**26.0**	**2.8**	**0.7**	**0.3**	**29.8**

Three months ended March 31, 2021

	Telecommunications	Media	Sports and Entertainment	Head office and Inter-segments	Total
Revenues	$ 914.0	$ 174.8	$ 31.2	$ (28.9)	$ 1,091.1
Employee costs	104.5	55.1	7.5	9.3	176.4
Purchase of goods and services	358.6	118.4	21.6	(36.6)	462.0
Adjusted EBITDA [1]	450.9	1.3	2.1	(1.6)	452.7
Depreciation and amortization					195.3
Financial expenses					83.1
Loss on valuation and translation of financial instruments					5.8
Restructuring of operations and other items					4.5
Income before income taxes					$ 164.0
Cash flows used for					
Additions to property, plant and equipment	$ 107.6	$ 3.8	$ 0.1	$ 0.3	$ 111.8
Additions to intangible assets	51.3	6.1	0.9	0.5	58.8

[1] The Chief Executive Officer uses adjusted EBITDA as the measure of profit to assess the performance of each segment. Adjusted EBITDA is a non-IFRS measure and is defined as net income before depreciation and amortization, financial expenses, loss on valuation and translation of financial instruments, restructuring of operations and other items and income taxes.

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.
CONSOLIDATED STATEMENTS OF EQUITY

(in millions of Canadian dollars)
(unaudited)

	Equity attributable to shareholders				Equity attributable to non-controlling interests	Total equity
	Capital stock (note 10)	Contributed surplus	Retained earnings	Accumulated other comprehensive (loss) income (note 12)		
Balance as of December 31, 2020	$ 1,017.8	$ 17.4	$ 211.3	$ (133.9)	$ 101.5	$ 1,214.1
Net income (loss)	-	-	121.3	-	(1.3)	120.0
Other comprehensive income	-	-	-	122.6	6.8	129.4
Dividends	-	-	(68.3)	-	(0.1)	(68.4)
Repurchase of Class B Shares	(15.6)	-	(68.8)	-	-	(84.4)
Balance as of March 31, 2021	1,002.2	17.4	195.5	(11.3)	106.9	1,310.7
Net income	-	-	457.1	-	11.3	468.4
Other comprehensive (loss) income	-	-	-	(8.0)	5.0	(3.0)
Dividends	-	-	(199.3)	-	-	(199.3)
Repurchase of Class B Shares	(37.0)	-	(161.0)	-	-	(198.0)
Balance as of December 31, 2021	965.2	17.4	292.3	(19.3)	123.2	1,378.8
Net income (loss)	-	-	121.4	-	(4.3)	117.1
Other comprehensive income	-	-	-	57.0	3.4	60.4
Dividends	-	-	(71.8)	-	(0.1)	(71.9)
Repurchase of Class B Shares	(5.2)	-	(20.8)	-	-	(26.0)
Balance as of March 31, 2022	**$ 960.0**	**$ 17.4**	**$ 321.1**	**$ 37.7**	**$ 122.2**	**$ 1,458.4**

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of Canadian dollars)
(unaudited)

	Note	Three months ended March 31 2022	2021
Cash flows related to operating activities			
Net income		**$ 117.1**	$ 120.0
Adjustments for:			
Depreciation of property, plant and equipment		**139.3**	146.2
Amortization of intangible assets		**45.0**	38.9
Depreciation of right-of-use assets		**10.4**	10.2
Loss on valuation and translation of financial instruments	5	**7.3**	5.8
Loss on disposal of other assets	6	**-**	0.5
Impairment of assets	6	**-**	0.8
Amortization of financing costs	4	**1.8**	2.2
Deferred income taxes		**(29.8)**	(19.4)
Other		**0.1**	(0.4)
		291.2	304.8
Net change in non-cash balances related to operating activities		**(63.5)**	(43.2)
Cash flows provided by operating activities		**227.7**	261.6
Cash flows related to investing activities			
Business acquisitions		**-**	(15.1)
Additions to property, plant and equipment	7	**(95.3)**	(111.8)
Additions to intangible assets		**(29.8)**	(58.8)
Proceeds from disposals of assets		**1.4**	0.1
Acquisition of investments and other		**(4.1)**	(0.8)
Cash flows used in investing activities		**(127.8)**	(186.4)
Cash flows related to financing activities			
Net change in bank indebtedness		**25.2**	1.6
Net change under revolving facilities		**(126.1)**	(3.1)
Issuance of long-term debt, net of financing costs		**-**	644.0
Repayment of long-term debt		**(0.4)**	(0.4)
Repayment of lease liabilities		**(10.3)**	(10.2)
Repurchase of Class B Shares	10	**(26.0)**	(84.4)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)
Cash flows (used in) provided by financing activities		**(137.7)**	547.4
Net change in cash and cash equivalents		**(37.8)**	622.6
Cash and cash equivalents at beginning of period		**64.7**	136.7
Cash and cash equivalents at end of period		**$ 26.9**	$ 759.3
Cash and cash equivalents consist of			
Cash		**$ 26.8**	$ 759.0
Cash equivalents		**0.1**	0.3
		$ 26.9	$ 759.3
Interest and taxes reflected as operating activities			
Cash interest payments		**$ 26.1**	$ 38.6
Cash income tax payments (net of refunds)		**98.9**	112.8

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

CONSOLIDATED BALANCE SHEETS

(in millions of Canadian dollars)
(unaudited)

	Note	March 31 2022	December 31 2021
Assets			
Current assets			
Cash and cash equivalents		**$ 26.9**	$ 64.7
Restricted cash	7	**130.7**	162.4
Accounts receivable		**706.6**	745.1
Contract assets		**103.9**	129.4
Income taxes		**13.0**	7.3
Inventories		**367.5**	282.6
Derivative financial instruments		**229.8**	-
Other current assets		**142.2**	132.0
		1,720.6	1,523.5
Non-current assets			
Property, plant and equipment		**3,016.7**	3,058.7
Intangible assets		**2,324.8**	2,344.1
Right-of-use assets		**150.0**	152.3
Goodwill		**2,718.5**	2,718.5
Derivative financial instruments		**111.0**	405.6
Deferred income taxes		**27.1**	39.2
Other assets		**542.5**	521.1
		8,890.6	9,239.5
Total assets		**$ 10,611.2**	$ 10,763.0
Liabilities and equity			
Current liabilities			
Bank indebtedness		**$ 25.2**	$ -
Accounts payable, accrued charges and provisions		**949.1**	861.0
Deferred revenue		**283.3**	309.7
Deferred subsidies	7	**130.7**	162.4
Income taxes		**27.0**	47.4
Current portion of long-term debt	8	**1,139.7**	56.5
Current portion of lease liabilities		**36.3**	36.1
		2,591.3	1,473.1
Non-current liabilities			
Long-term debt	8	**5,201.5**	6,467.9
Derivative financial instruments		**35.4**	23.3
Convertible debentures		**150.0**	150.0
Lease liabilities		**144.0**	147.1
Deferred income taxes		**812.5**	829.6
Other liabilities		**218.1**	293.2
		6,561.5	7,911.1
Equity			
Capital stock	10	**960.0**	965.2
Contributed surplus		**17.4**	17.4
Retained earnings		**321.1**	292.3
Accumulated other comprehensive income (loss)	12	**37.7**	(19.3)
Equity attributable to shareholders		**1,336.2**	1,255.6
Non-controlling interests		**122.2**	123.2
		1,458.4	1,378.8
Total liabilities and equity		**$ 10,611.2**	$ 10,763.0

See accompanying notes to condensed consolidated financial statements.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

Quebecor Inc. ("Quebecor" or the "Corporation") is incorporated under the laws of Québec. The Corporation's head office and registered office is located at 612 rue Saint-Jacques, Montréal, Québec, Canada. Quebecor is a holding corporation with a 100% interest in Quebecor Media Inc. ("Quebecor Media"). Unless the context otherwise requires, Quebecor or the Corporation refers to Quebecor Inc. and its subsidiaries and Quebecor Media refers to Quebecor Media Inc. and its subsidiaries.

The Corporation operates, through its subsidiaries, in the following industry segments: Telecommunications, Media, and Sports and Entertainment. The Telecommunications segment offers Internet access, television distribution, mobile and wireline telephony, business solutions and over-the-top video services in Canada. The operations of the Media segment in Québec include the operation of an over-the-air television network and specialty television services, the operation of soundstage and equipment rental and postproduction services for the film and television industries, the printing, publishing and distribution of daily newspapers, the operation of news and entertainment digital platforms and a music streaming service, the publishing and distribution of magazines, the production and distribution of audiovisual content, and the operation of an out-of-home advertising business. The activities of the Sports and Entertainment segment in Québec encompass the operation and management of the Videotron Centre in Québec City, show production, sporting and cultural event management, the publishing and distribution of books, the distribution and production of music, and the operation of two Quebec Major Junior Hockey League teams.

The Media segment experiences significant seasonality due, among other factors, to seasonal advertising patterns and influences on people's viewing, reading and listening habits. Because the Media segment depends on the sale of advertising for a significant portion of its revenue, operating results are also sensitive to prevailing economic conditions, as they may affect advertising expenditures of corporations. Accordingly, the results of operations for interim periods of the Media segment should not necessarily be considered indicative of full-year results due to the seasonality of certain of its operations.

Since March 2020, the COVID-19 pandemic has had an impact on some of the Corporation's quarterly results, more particularly in the Media and the Sports and Entertainment segments. Given the uncertainty around the future evolution of the pandemic, including any new major waves, all future impacts of the health crisis on the results of operations cannot be determined with certainty.

1. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB), except that they do not include all disclosures required under IFRS for annual consolidated financial statements. In particular, these consolidated financial statements were prepared in accordance with IAS 34, *Interim Financial Reporting*, and, accordingly, they are condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the Corporation's 2021 annual consolidated financial statements, which contain a description of the accounting policies used in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements were approved for issue by the Board of Directors of Quebecor on May 11, 2022.

Comparative figures for the previous period have been restated to conform to the presentation adopted for the three-month period ended March 31, 2022.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

2. REVENUES

	Three months ended March 31	
	2022	2021
Telecommunications:		
Internet	**$ 298.6**	$ 296.6
Television	**197.3**	213.2
Mobile telephony	**187.3**	170.5
Wireline telephony	**75.2**	80.7
Mobile equipment sales	**63.8**	60.5
Wireline equipment sales	**32.3**	46.7
Other	**48.9**	45.8
Media:		
Advertising	**79.2**	76.1
Subscription	**48.3**	49.4
Other	**54.3**	49.3
Sports and Entertainment	**34.1**	31.2
Inter-segments	**(31.3)**	(28.9)
	$ 1,088.0	$ 1,091.1

3. EMPLOYEE COSTS AND PURCHASE OF GOODS AND SERVICES

	Three months ended March 31	
	2022	2021
Employee costs	**$ 218.6**	$ 224.3
Less employee costs capitalized to property, plant and equipment and to intangible assets	**(39.5)**	(47.9)
	179.1	176.4
Purchase of goods and services:		
Royalties, rights and creation costs	**201.5**	182.8
Cost of products sold	**107.0**	115.9
Service contracts	**40.1**	54.9
Marketing, circulation and distribution expenses	**19.9**	18.7
Other	**98.3**	89.7
	466.8	462.0
	$ 645.9	$ 638.4

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

4. FINANCIAL EXPENSES

	Three months ended March 31	
	2022	2021
Interest on long-term debt and on convertible debentures	**$ 74.8**	$ 79.6
Amortization of financing costs	**1.8**	2.2
Interest on lease liabilities	**2.0**	2.2
Interest on net defined benefit liability	**1.2**	2.2
Gain on foreign currency translation on short-term monetary items	**(1.1)**	(1.2)
Other	**(1.2)**	(1.9)
	$ 77.5	$ 83.1

5. LOSS ON VALUATION AND TRANSLATION OF FINANCIAL INSTRUMENTS

	Three months ended March 31	
	2022	2021
Loss on embedded derivatives related to convertible debentures	**$ 7.2**	$ 5.7
Other	**0.1**	0.1
	$ 7.3	$ 5.8

6. RESTRUCTURING OF OPERATIONS AND OTHER ITEMS

During the first quarter of 2022, a charge of $0.9 million was recorded in connection mainly with cost reduction initiatives in the Corporation's various segments ($3.2 million in 2021). During the first quarter of 2021, an asset impairment charge of $0.8 million and a loss related to other items of $0.5 million were also recorded.

7. RESTRICTED CASH AND DEFERRED SUBSIDIES

On March 22, 2021, Videotron and the Québec government, jointly with the Canadian government, signed agreements to support the achievement of the government's targets for the roll-out of high-speed Internet services in various regions of Québec. Under these agreements, Videotron will extend its high-speed Internet network to connect approximately 37,000 additional households and the government has committed to provide financial assistance in the amount of approximately $258.0 million, which will be fully invested in Videotron's network extension. In accordance with the terms of the agreements, an amount of $216.2 million received in advance from the government in March 2021 was classified as restricted cash (balance of $130.7 million as of March 31, 2022) with a corresponding amount recorded as deferred subsidies on the consolidated balance sheets. During the first quarter of 2022, $31.7 million of these deferred subsidies were recognized as a reduction of additions to property, plant and equipment upon the realization of the required investments ($5.5 million in the comparative quarter of 2021).

QUEBECOR INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

8. LONG-TERM DEBT

Components of long-term debt are as follows:

	March 31, 2022	December 31, 2021
Total long-term debt	**$ 6,376.4**	$ 6,554.0
Change in fair value related to hedged interest rate risk	**0.9**	8.3
Financing costs, net of amortization	**(36.1)**	(37.9)
	6,341.2	6,524.4
Less current portion	**(1,139.7)**	(56.5)
	$ 5,201.5	$ 6,467.9

As of March 31, 2022, the carrying value of long-term debt denominated in U.S. dollars, excluding financing costs, was $3,187.3 million ($3,245.9 million as of December 31, 2021) while the net fair value of related hedging derivative instruments was in an asset position of $307.4 million ($381.4 million as of December 31, 2021).

9. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by taking into account the potentially dilutive effect of stock options of the Corporation on the number of shares outstanding, the potentially dilutive effect of stock options of the Corporation's subsidiaries on net income attributable to shareholders, and the potentially dilutive effect of conversion of convertible debentures issued by the Corporation on net income attributable to shareholders and on the number of shares outstanding.

During the three-month periods ended March 31, 2022 and 2021, there was no adjustment for a dilution effect on the net income attributable to shareholders.

The following table sets the impact of dilution on the weighted average number of shares outstanding:

	Three months ended March 31	
	2022	2021
Weighted average number of shares outstanding (in millions)	**239.2**	246.7
Potentially dilutive effect of stock options of the Corporation (in millions)	**–**	0.2
Weighted average number of diluted shares outstanding (in millions)	**239.2**	246.9

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

10. CAPITAL STOCK

(a) Authorized capital stock

An unlimited number of Class A Multiple Voting Shares ("Class A Shares") with voting rights of 10 votes per share convertible at any time into Class B Subordinate Voting Shares ("Class B Shares") on a one-for-one basis.

An unlimited number of Class B Shares convertible into Class A Shares on a one-for-one basis, only if a takeover bid for Class A Shares is made to holders of Class A Shares without being made concurrently and under the same terms to holders of Class B Shares, for the sole purpose of allowing the holders of Class B Shares to accept the offer and subject to certain other stated conditions provided in the articles, including the acceptance of the offer by the majority holder.

Holders of Class B Shares are entitled to elect 25% of the Board of Directors of Quebecor. Holders of Class A Shares may elect the other members of the Board of Directors.

(b) Issued and outstanding capital stock

	Class A Shares		**Class B Shares**	
	Number	Amount	Number	Amount
Balance as of December 31, 2021	76,984,034	$ 8.6	162,273,507	$ 956.6
Shares purchased and cancelled	–	–	(890,051)	(5.2)
Balance as of March 31, 2022	**76,984,034**	**$ 8.6**	**161,383,456**	**$ 951.4**

On August 4, 2021, the Corporation filed a normal course issuer bid for a maximum of 1,000,000 Class A Shares representing approximately 1.3% of issued and outstanding Class A Shares, and for a maximum of 6,000,000 Class B Shares representing approximately 3.6% of issued and outstanding Class B Shares as of July 30, 2021. The purchases can be made from August 15, 2021 to August 14, 2022, at prevailing market prices on the open market through the facilities of the Toronto Stock Exchange or other alternative trading systems. All shares purchased under the bid will be cancelled.

On April 27, 2022, the Corporation received approval from the Toronto Stock Exchange to amend its normal course issuer bid in order to increase the maximum number of Class B Shares that may be repurchased to 10,000,000 Class B Shares, representing approximately 6.8% of the Class B Shares public float as of July 30, 2021. No other terms of the normal course issuer bid have been amended.

During the three-month period ended March 31, 2022, the Corporation purchased and cancelled 890,051 Class B Shares for a total cash consideration of $26.0 million (2,649,300 Class B Shares for a total cash consideration of $84.4 million in 2021). The excess of $20.8 million of the purchase price over the carrying value of Class B Shares repurchased was recorded in reduction of retained earnings ($68.8 million in 2021).

On May 11, 2022, the Board of Directors of the Corporation declared a dividend of $0.30 per share on Class A Shares and Class B Shares, or approximately $71.5 million, payable on June 21, 2022, to shareholders of record at the close of business on May 27, 2022.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

11. STOCK-BASED COMPENSATION PLANS

Stock option plans

The following table provides details of changes to outstanding options in the principal stock-based compensation plans in which management of the Corporation and its subsidiaries participate, for the three-month period ended March 31, 2022:

	Outstanding options	
	Number	Weighted average exercise price
Quebecor		
As of December 31, 2021	2,379,600	$ 30.74
Exercised	(6,666)	26.52
Cancelled	(114,451)	31.09
As of March 31, 2022	**2,258,483**	**$ 30.74**
Vested options as of March 31, 2022	**195,594**	**$ 26.52**
TVA Group Inc.		
As of December 31, 2021 and March 31, 2022	**369,503**	**$ 2.09**
Vested options as of March 31, 2022	**48,832**	**$ 4.56**

During the three-month period ended March 31, 2021, 10,300 stock options of Quebecor Media were exercised for a cash consideration of $0.7 million.

Deferred share unit plan

The deferred share unit ("DSU") is based either on Quebecor Class B Shares or on TVA Group Inc. Class B Non-Voting Shares ("TVA Group Class B Shares"). The DSUs vest over six years and will be redeemed for cash only upon the participant's retirement or termination of employment, as the case may be. DSUs entitle the holders to receive additional units when dividends are paid on Quebecor Class B Shares or TVA Group Class B Shares. As of March 31, 2022 and December 31, 2021, 96,909 DSUs based on Quebecor Class B Shares and 128,064 DSUs based on TVA Group Class B Shares were outstanding under these plans.

Stock-based compensation expense

For the three-month period ended March 31, 2022, a charge of $2.2 million was recorded related to stock-based compensation plans ($3.6 million in 2021).

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME ATTRIBUTABLE TO SHAREHOLDERS

	Cash flow hedges[1]	Translation of investments in foreign associates	Defined benefit plans[2]	Equity investment	Total
Balance as of December 31, 2020	$ 29.6	$ –	$ (163.5)	$ –	$ (133.9)
Other comprehensive (loss) income	(0.7)	–	123.3	–	122.6
Balance as of March 31, 2021	28.9	–	(40.2)	–	(11.3)
Other comprehensive income (loss)	3.8	(17.6)	4.2	1.6	(8.0)
Balance as of December 31, 2021	32.7	(17.6)	(36.0)	1.6	(19.3)
Other comprehensive (loss) income	(14.5)	(4.3)	76.0	(0.2)	57.0
Balance as of March 31, 2022	**$ 18.2**	**$ (21.9)**	**$ 40.0**	**$ 1.4**	**$ 37.7**

1 No significant amount is expected to be reclassified in income over the next 12 months in connection with derivatives designated as cash flow hedges. The balance is expected to reverse over a 7 1/4-year period.

2 The re-measurement gain in the consolidated statement of comprehensive income for the three-month period ended March 31, 2022 is mainly due to an increase in the discount rate since December 31, 2021.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with IFRS 13, *Fair Value Measurement*, the Corporation considers the following fair value hierarchy, which reflects the significance of the inputs used in measuring its financial instruments:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The fair value of long-term debt and convertible debentures is estimated based on quoted market prices when available or on valuation models using Level 1 and Level 2 inputs. When the Corporation uses valuation models, the fair value is estimated using discounted cash flows using year-end market yields or the market value of similar instruments with the same maturity.

The fair value of derivative financial instruments recognized on the consolidated balance sheets is estimated as per the Corporation's valuation models. These models project future cash flows and discount the future amounts to a present value using the contractual terms of the derivative financial instrument and factors observable in external market data, such as period-end swap rates and foreign exchange rates (Level 2 inputs). An adjustment is also included to reflect non-performance risk, impacted by the financial and economic environment prevailing at the date of the valuation, in the recognized measure of the fair value of the derivative financial instruments by applying a credit default premium, estimated using a combination of observable and unobservable inputs in the market (Level 3 inputs), to the net exposure of the counterparty or the Corporation. Derivative financial instruments are classified as Level 2.

The fair value of embedded derivatives related to convertible debentures is determined by option-pricing models using Level 2 market inputs, including volatility, discount factors, and the underlying instrument's implicit interest rate and credit premium.

QUEBECOR INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three-month periods ended March 31, 2022 and 2021
(tabular amounts in millions of Canadian dollars, except for per share data and option data)
(unaudited)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The carrying value and fair value of long-term debt, convertible debentures and derivative financial instruments as of March 31, 2022 and December 31, 2021 are as follows:

	March 31, 2022		December 31, 2021	
Asset (liability)	**Carrying value**	**Fair value**	Carrying value	Fair value
Long-term debt[1]	**$ (6,376.4)**	**$ (6,198.5)**	$ (6,554.0)	$ (6,660.4)
Convertible debentures[2]	**(146.9)**	**(146.9)**	(139.5)	(139.5)
Derivative financial instruments				
Foreign exchange forward contracts	**(2.0)**	**(2.0)**	0.9	0.9
Cross-currency swaps	**307.4**	**307.4**	381.4	381.4

1 The carrying value of long-term debt excludes changes in the fair value of long-term debt related to hedged interest rate risk and financing costs.

2 The carrying value and fair value of convertible debentures consist of the principal amount and the value of the conversion features related to the floor and ceiling prices, recognized as embedded derivatives.

This is Exhibit 71 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

BARCLAYS

Equity Research
5 April 2016

Shaw Communications Inc.

Story improves over time

Wind strengthens SJR's long-term growth prospects: We are reinstating our rating of SJR at Equal Weight with a $26 price target following the completion of the Corus and Shaw Media transactions. We believe the sale of Media to Corus and the acquisition of Wind Mobile makes strong strategic sense and strengthens SJR's long-term growth prospects. In the near term, however, years of investments are required to drive growth at Wind, which on top of an already long list of investment priorities (i.e., ViaWest, Docsis 3.1, IPTV) will constrain SJR's ability to resume dividend growth for the foreseeable future with FCF payout now in excess of 100%. As such, we prefer to wait until: 1) we gain greater visibility to Wind's ability to accelerate its growth momentum; and 2) see a clearer path for SJR to return to dividend growth, before turning more positive on the name.

Years of significant investments required to turn Wind into a strong growth story: While Wind has already invested over $1.5bn under previous owners, we believe SJR must still commit significant capital over the coming years in order for Wind to achieve the same level of growth that QBR is enjoying in Quebec. By comparison, QBR, which has roughly 1/2 the population coverage as Wind, has invested $1.9bn in its wireless business alone (excluding $349m invested in spectrum outside Quebec). On top of the $250m management has designated for upgrading the network to LTE, SJR must also: 1) acquire low-band spectrum to improve coverage (i.e., buy 700MHz from Videotron and participate in 600MHz auction in 2018); 2) increase its retail distribution; and 3) build the Wind brand. It is also important to note that the previous owners of Wind focused their investment disproportionately in Ontario, which is a market that is less relevant to SJR's strategy. As such, SJR has acquired a much more nascent network in Western Canada than Wind may appear at the consolidated level, requiring substantial catch-up investment ahead versus the Ontario footprint. Meanwhile, a strengthened Mobilicity operating on RCI's HSPA network now appears to be positioned to regain some market share from Wind. However, relative to QBR, Wind does benefit significantly from its exposure to much higher ARPU markets in Western Canada. Nonetheless, we are cautious in assuming that Wind will quickly turn into the wireless growth story that QBR has become.

Monetizing Wind's ON business would help ease FCF pressures: SJR has a few options to help alleviate its capital allocation concerns. 1) We believe there is potential for a win-win arrangement between SJR and CCA on wireless where SJR could potentially monetize Wind's ON business (e.g. offer CCA low wholesale rates in return for partially funding of Wind's capex). 2) Sell its share holdings in Corus (~$800m) once restrictions are removed (1/3 coming off restriction every 12, 18 and 24 months). 3) Sale of ViaWest given it has few synergies with SJR's core cable business. 4) Sale of real estate assets.

EARNINGS PREVIEW

Canadian Telecommunications, Media, and Technology
NEUTRAL
Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

Canadian Telecommunications, Media, and Technology
Phillip Huang
+1 416 863 8968
phillip.huang@barclays.com
BCCI, Canada

Ali Pervez
+1 416 863 8958
ali.pervez@barclays.com
BCCI, Canada

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	04-Apr-16	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
Canadian Telecommunications, Media, and Technology	Neu	Neu										
Shaw Communications Inc. (SJR/B CN / SJR-B.TO)	RS	**EW**	25.01	N/A	**26.00**	-	1.78	**1.54**	-13	1.78	**1.50**	-16
Shaw Communications Inc. (SJR)	RS	**EW**	19.15	N/A	**20.00**	-	1.78	**1.54**	-13	1.78	**1.50**	-16

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.
FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.
Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended
Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

Investment Thesis

We believe the sale of Shaw Media to Corus and the acquisition of Wind Mobile makes strong strategic sense and strengthens Shaw's long-term growth prospects. While the Media business is facing structural pressures (i.e., change in video consumption habits), Wind's growth profile is not only stronger (~40% revenue growth in 2015) but will also strengthen Shaw's core cable business over time (i.e., quad-play bundling). However, years of investments are required to drive continued growth at Wind, which on top of an already long list of investment priorities (i.e., ViaWest, Docsis 3.1, IPTV) will constrain Shaw's ability to resume dividend growth for the foreseeable future with FCF payout in excess of 100%. As such, we are reinstating our rating of Shaw at Equal Weight with a $26 price target. We prefer to wait until: 1) we gain greater visibility to Wind's ability to accelerate its growth momentum; and 2) see a clearer path for Shaw to return to dividend growth, before recommending the stock.

Our $26 price target is based on 7.5x our consumer EBITDA, 8.0x our Business network EBITDA, 11.0x our ViaWest EBITDA, and 7.0x our Wind Mobile EBITDA, using our F2017 estimates.

Thoughts Heading into F'Q2 results

SJR will release F'Q2 results on April 14, 2016, and the conference call will take place at 3:30pm ET (dial-in: 1-800-319-4610).

We estimate FQ'2 revenue of $1,157m (vs. consensus $1,160m), EBITDA of $512m (vs. consensus $514m), and EPS of $0.34 (vs. consensus $0.35). We note that our and consensus estimates exclude the Media business. Here are our thoughts heading into the quarter.

Years of significant investments required to turn Wind into a strong growth story

While Wind has already invested over $1,500m (in spectrum, capex and operating losses) under previous owners, we believe Shaw must still commit significant capital over the coming years in order for Wind to achieve the same level of growth that Videotron is enjoying in Quebec. By comparison, Videotron, which has roughly 1/2 the population coverage as Wind, has invested $1,874m in its Quebec-based wireless business alone (excluding $349m invested in spectrum outside Quebec). In addition to the $250m management has designated for upgrading the network to LTE, Shaw must also: 1) acquire low-band spectrum to improve coverage (i.e., buy 700MHz from Videotron and participate in 600MHz auction in 2018); 2) increase its retail distribution (because the buying process for wireless is very different vs. cable); and 3) build the Wind brand through marketing (we believe it will take a few years yet for the wireless service to improve enough to deserve the Shaw brand).

It is also important to note that the previous owners of Wind focused their investment disproportionately in Ontario (75% subs and 73% of its retail distribution are in Ontario), which is a market that is less relevant to Shaw's strategy. As such, Shaw has acquired a much more nascent wireless business in Western Canada than Wind may appear at the consolidated level, requiring a lot of catch-up investment ahead versus the Ontario footprint. Meanwhile, a strengthened Mobilicity operating on Rogers' HSPA network now appears to be positioned to regain some market share from Wind. However, relative to Videotron, Wind does benefit significantly from its exposure to much higher ARPU markets in Western Canada. Nonetheless, we are cautious in assuming that Wind will quickly turn into the growth story that Videotron has become.

Options to optimize capital allocation

With FCF under pressure over the next few years, we believe Shaw has a number of levers it can pull to address capital allocation concerns. We believe there is potential for a win-win arrangement between Shaw and Cogeco on wireless. With the Ontario clearly a less important market for Shaw, we believe Shaw could look to partner with Cogeco to jointly-run Wind's Ontario business (splitting the investment bill), offering Cogeco access to the Wind network at low commercial rates in return for partially funding Wind's capex. Such an arrangement would help Shaw lighten its Wind investment burden and enable Cogeco to offer wireless services which complement its fixedline footprint.

Shaw could also look to monetize its real estate holdings (net book value of land and buildings is $418m) as well as its holdings in Corus (~$800m) over time. While Shaw sees upside in its ownership of Corus shares and is restricted from selling for 12 months (with 1/3 coming off restriction at 12, 18, and 24 months post-closing), we expect the company would consider opportunistically selling shares to address capital needs (e.g., 600 Mhz spectrum auction). When the time is right, we believe the sale of ViaWest could also be on the table given it has few synergies with Shaw's core distribution business[1].

Cable faces expanding fibre competition

While we've seen some reduction in the length of promotional offers (6 months from 12 months), the competitive environment remains intense and is unlikely to ease as Telus continues to invest close to 30% of its fixed line revenue to expand its fibre footprint from tier 2 markets in to core markets. For example, Telus has outlined plans to cover the cities of Vancouver and Edmonton with fibre over the next 5-6 years. On top of competition, we believe Shaw could face some ARPU pressures from the introduction of the skinny basic on March 1, and a la carte in December. For Q2 we estimate flat cable revenue growth of 2.2% and EBITDA growth of 1.8% with cable TV net adds of -24k, DTH net adds of -8k, internet net adds of +5k, telephony net adds of -14k.

[1] http://www.bnn.ca/News/2016/1/13/Corus-Entertainment-is-buying-Shaw-Media-for-265B.aspx

FIGURE 1
Barclays Q2 F'16 estimates

Shaw ($mlns unless otherwise noted)	2QF15A	2QF16E	y/y Δ	Cons	y/y Δ
Financial Metrics					
Segmented Revenue:					
Consumer	937	953	1.8%	954	1.8%
Business	129	136	5.1%	137	6.2%
Infrastructure	60	78	30.0%	79	31.7%
Media	238				
Intersegment	-27	-10	-63.0%	-10	-63.0%
	1,337	1,157	-13.5%	1,160	-13.2%
Segmented EBITDA:					
Consumer	409	415	1.4%	414	1.2%
Business	65	68	4.3%	67	3.1%
Infrastructure	25	29	17.0%	31	24.0%
Media	58				
	557	512	-8.1%	514	-7.7%
Diluted EPS	$0.34	$0.34	0.8%	$0.35	2.6%
Capital Expenditures	258	232	-10.1%	239	-7.4%
Free Cash Flow	169	131	-22.7%	130	-23.1%
Operating Metrics					
Consumer					
Cable TV net adds (k)	-33	-23	11		
DTH net adds (k)	-11	-9	2		
Internet net adds (k)	-4	5	9		
Telephone net adds (k)	-17	-15	2		
Total Cable PSU net adds (k)	-65	-42	24		
Business					
Cable TV net adds (k)	-3	-1	2		
DTH net adds (k)	2	1	-2		
Internet net adds (k)	3	1	-2		
Telephone net adds (k)	5	1	-4		
Total Cable PSU net adds (k)	7	1	-6		
Consolidated					
Cable TV net adds (k)	-36	-24	12	-23	13
DTH net adds (k)	-8	-8	0	-8	0
Internet net adds (k)	-2	5	7	4	6
Telephone net adds (k)	-12	-14	-2	-14	-2
Total Cable PSU net adds (k)	-58	-40	18	-41	17

Source: Barclays Research
Note: Our estimates exclude Media for F'Q2

FIGURE 2
Model Summary

	F2013	F2014	F2015	F2016E	F2017E	F2018E
Financial Metrics ($mlns except EPS)						
Segmented Revenue:						
Consumer	N/A	N/A	3,752	3,769	3,734	3,728
Business Network Services	N/A	N/A	520	548	568	590
Business Infrastructure Services	N/A	N/A	246	318	366	402
Wind Mobile				289	670	772
Media	1,106	1,096	1,080	294		
Intersegment	-90	-107	-110	-57	-60	-60
Total Revenue	**5,142**	**5,232**	**5,488**	**4,872**	**4,608**	**4,660**
Segmented EBITDA:						
Consumer	N/A	N/A	1,686	1,705	1,718	1,715
Business Network Services	N/A	N/A	256	268	278	289
Business Infrastructure Services	N/A	N/A	95	121	146	161
Wind Mobile				36	98	131
Media	353	353	342	118	0	0
Total EBITDA	**2,220**	**2,262**	**2,379**	**2,212**	**2,142**	**2,165**
Adjusted EPS	$1.62	$1.77	$1.79	$1.54	$1.50	$1.53
Capital Expenditures	1,021	1,095	1,122	1,093	1,182	1,074
Free Cash Flow	494	458	503	564	456	611
Operating Metrics						
Cable TV subscribers (k)	2,040	1,958	1,842	1,743	1,678	1,625
Internet subscribers (k)	1,891	1,930	1,953	1,977	2,005	2,030
Telephone subscribers (k)	1,360	1,375	1,312	1,262	1,242	1,224
DTH subcribers (k)	904	881	843	815	791	769
Wireless subscribers (k)				1,088	1,197	1,305

Source: Barclays Research, Company Reports
Note: Our estimates reflect contribution from Wind Mobile starting FQ'3, and exclude Media starting in F'Q2 2016.

FIGURE 3
Comparables

	Price	Market Cap	Dividend	EV/EBITDA			P/E			EV/FCF			FCF Yield		
Priced as of Apr04		($ mln)	Yield	2015A	2016E	2017E	2015A	2016E	2017E	2015A	2016E	2017E	2015A	2016E	2017E
BCE	$59.85	52,069	4.6%	8.9x	8.6x	8.4x	17.8x	16.9x	16.2x	19.6x	19.7x	19.6x	5.1%	5.1%	5.1%
Cogeco Cable	$69.40	3,432	2.3%	7.1x	6.5x	6.3x	13.3x	12.0x	11.2x	20.3x	17.3x	13.9x	4.9%	5.8%	7.2%
Cogeco	$56.95	959	2.1%	6.0x	5.5x	5.4x	10.7x	9.3x	9.0x	17.0x	14.8x	11.9x	5.9%	6.8%	8.4%
Corus Entertainment	$11.92	2,332	9.3%	16.4x	11.5x	7.3x	7.6x	10.1x	8.6x	21.6x	18.2x	10.4x	4.6%	5.5%	9.6%
Manitoba Telecom	$32.52	2,576	4.0%	6.6x	6.5x	6.4x	42.1x	24.5x	21.6x	16.0x	13.2x	13.2x	6.3%	7.6%	7.6%
Quebecor	$33.97	4,161	0.4%	7.6x	7.2x	6.9x	17.4x	14.0x	11.9x	82.7x	21.6x	16.1x	1.2%	4.6%	6.2%
Rogers	$52.27	27,024	3.7%	8.3x	8.1x	7.8x	18.1x	17.6x	17.1x	25.9x	19.7x	18.8x	3.9%	5.1%	5.3%
Shaw	$25.01	12,030	4.7%	7.0x	7.4x	7.4x	14.0x	16.2x	16.7x	21.2x	23.8x	23.7x	4.7%	4.2%	4.2%
Telus	$42.07	25,200	4.2%	8.7x	8.1x	7.8x	16.3x	15.5x	14.9x	26.2x	27.1x	25.2x	3.8%	3.7%	4.0%
Average			**3.9%**	**8.5x**	**7.7x**	**7.1x**	**17.5x**	**15.1x**	**14.1x**	**27.8x**	**19.5x**	**17.0x**	**4.5%**	**5.4%**	**6.4%**

Source: Barclays Research, Thomson Reuters (priced as of April 4, 2016)

Canadian Telecommunications, Media, and Technology — **Industry View: NEUTRAL**

Shaw Communications Inc. (SJR-B.TO)

Stock Rating: EQUAL WEIGHT

Income statement (CADmn)	2015A	2016E	2017E	2018E	CAGR
Revenue	5,488	5,161	5,278	5,432	-0.3%
EBITDA	2,379	2,248	2,240	2,296	-1.2%
EBIT	1,484	1,351	1,306	1,338	-3.4%
Finance costs - net	283	290	290	290	0.8%
Pre-tax income	1,174	1,038	1,016	1,048	-3.7%
Tax rate (%)	25	26	27	27	2.5%
Net income	842	745	728	751	-3.7%
EPS (adj) (CAD)	1.79	1.54	1.50	1.53	-5.0%
Diluted shares (mn)	470.5	482.4	486.0	489.9	1.4%
DPS (CAD)	1.14	1.21	1.28	1.34	5.4%

Margin and return data					Average
EBITDA margin (%)	43.3	43.6	42.4	42.3	42.9
EBIT margin (%)	27.0	26.2	24.7	24.6	25.6
Pre-tax margin (%)	21.4	20.1	19.3	19.3	20.0
Net margin (%)	15.3	14.4	13.8	13.8	14.3
Operating CF margin (%)	28.1	27.7	31.0	31.0	29.4
ROIC (%)	8.8	7.9	7.4	7.5	7.9
ROA (%)	8.4	6.9	6.5	6.5	7.1
ROE (%)	17.9	13.8	12.6	12.4	14.2

Balance sheet and cash flow (CADmn)					CAGR
Cash and equivalents	398	602	586	701	20.8%
Total assets	14,564	14,714	14,947	15,178	1.4%
Short and long-term debt	5,669	5,683	5,683	5,683	0.1%
Other long-term liabilities	1,919	1,774	1,734	1,692	-4.1%
Total liabilities	8,918	8,695	8,655	8,613	-1.2%
Net debt/(funds)	5,271	5,081	5,097	4,982	-1.9%
Shareholders' equity	5,409	5,779	6,076	6,372	5.6%
Cash flow from operations	1,540	1,431	1,636	1,682	3.0%
Capital expenditure	-1,090	-1,057	-1,182	-1,074	N/A
Free cash flow	788	702	705	861	3.0%
NOPAT	1,112	999	954	977	-4.2%

Valuation and leverage metrics					Average
P/E (adj) (x)	14.0	16.2	16.7	16.3	15.8
EV/EBITDA (x)	7.5	7.8	7.9	7.6	7.7
Equity FCF yield (%)	8.3	4.0	4.1	5.3	5.4
EV/sales (x)	3.2	3.4	3.3	3.2	3.3
P/BV (x)	2.2	2.1	2.0	1.9	2.0
Dividend yield (%)	4.6	4.9	5.1	5.4	5.0
Total debt/capital (%)	51.2	49.6	48.3	47.1	49.1
Net debt/EBITDA (x)	2.2	2.3	2.3	2.2	2.2

Selected operating metrics (k)					CAGR
Cable TV subscribers	1,842	1,743	1,678	1,625	-4.1%
DTH subscribers	843	815	791	769	-3.0%
Internet subscribers	1,953	1,977	2,005	2,030	1.3%
Telephone subscribers	1,312	1,262	1,242	1,224	-2.3%

Price (04-Apr-2016)	**CAD 25.01**
Price Target	**CAD 26.00**

Why Equal Weight? The sale of Media and the acquisition of Wind Mobile makes strong strategic sense and strengthens SJR's long-term growth prospects. In the near term however, years of investments are required to drive growth at Wind, which on top of an already long list of investment priorities will constrain SJR's ability to grow the dividend for the foreseeable future.

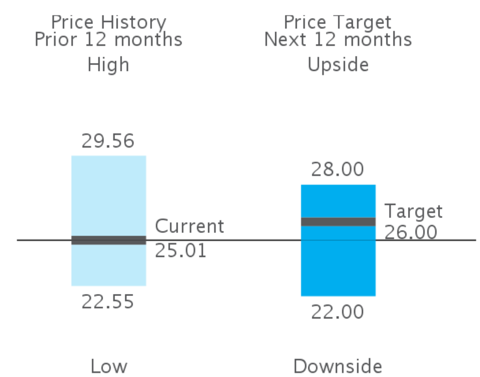
Upside case — **CAD 28.00**

The Shaw family is increasingly considering a sale of the company, while the pressures on the cable business begin to moderate as Telus' penetration matures. Our upside case is based on an 8.0x multiple on our 2017 upside EBITDA.

Downside case — **CAD 22.00**

The competitive environment intensifies once again as Telus tries to drive greater TV and Internet penetration, pressuring Shaw's cable business. Our downside case is based on 7.0x our 2017 downside EBITDA.

Upside/Downside scenarios



Source: Company data, Barclays Research
Note: FY End Aug

Canadian Telecommunications, Media, and Technology — Industry View: NEUTRAL

Shaw Communications Inc. (SJR)

Stock Rating: EQUAL WEIGHT

Income statement (CADmn)	2015A	2016E	2017E	2018E	CAGR
Revenue	5,488	5,161	5,278	5,432	-0.3%
EBITDA	2,379	2,248	2,240	2,296	-1.2%
EBIT	1,484	1,351	1,306	1,338	-3.4%
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Pre-tax income	1,174	1,038	1,016	1,048	-3.7%
Tax rate (%)	25	26	27	27	2.5%
Net income	842	745	728	751	-3.7%
EPS (adj) (CAD)	1.79	1.54	1.50	1.53	-5.0%
Diluted shares (mn)	470.5	482.4	486.0	489.9	1.4%
DPS (CAD)	1.14	1.21	1.28	1.34	5.4%

Margin and return data					Average
EBITDA margin (%)	43.3	43.6	42.4	42.3	42.9
EBIT margin (%)	27.0	26.2	24.7	24.6	25.6
Pre-tax margin (%)	21.4	20.1	19.3	19.3	20.0
Net margin (%)	15.3	14.4	13.8	13.8	14.3
Operating CF margin (%)	28.1	27.7	31.0	31.0	29.4
ROIC (%)	8.8	7.9	7.4	7.5	7.9
ROA (%)	8.4	6.9	6.5	6.5	7.1
ROE (%)	17.9	13.8	12.6	12.4	14.2

Balance sheet and cash flow (CADmn)					CAGR
Cash and equivalents	398	602	586	701	20.8%
Total assets	14,564	14,714	14,947	15,178	1.4%
Short and long-term debt	5,669	5,683	5,683	5,683	0.1%
Other long-term liabilities	1,919	1,774	1,734	1,692	-4.1%
Total liabilities	8,918	8,695	8,655	8,613	-1.2%
Net debt/(funds)	5,271	5,081	5,097	4,982	-1.9%
Shareholders' equity	5,409	5,779	6,076	6,372	5.6%
Cash flow from operations	1,540	1,431	1,636	1,682	3.0%
Capital expenditure	-1,090	-1,057	-1,182	-1,074	N/A
Free cash flow	788	702	705	861	3.0%
NOPAT	1,112	999	954	977	-4.2%

Valuation and leverage metrics					Average
P/E (adj) (x)	14.0	16.2	16.7	16.3	15.8
EV/EBITDA (x)	7.5	7.8	7.9	7.6	7.7
Equity FCF yield (%)	8.3	4.0	4.1	5.3	5.4
EV/sales (x)	3.2	3.4	3.3	3.2	3.3
P/BV (x)	2.2	2.1	2.0	1.9	2.0
Dividend yield (%)	4.6	4.9	5.1	5.4	5.0
Total debt/capital (%)	51.2	49.6	48.3	47.1	49.1
Net debt/EBITDA (x)	2.2	2.3	2.3	2.2	2.2

Selected operating metrics (k)					CAGR
Cable TV subscribers	1,842	1,743	1,678	1,625	-4.1%
DTH subscribers	843	815	791	769	-3.0%
Internet subscribers	1,953	1,977	2,005	2,030	1.3%
Telephone subscribers	1,312	1,262	1,242	1,224	-2.3%

Price (04-Apr-2016)	**USD 19.15**
Price Target	**USD 20.00**

Why Equal Weight? The sale of Media and the acquisition of Wind Mobile makes strong strategic sense and strengthens SJR's long-term growth prospects. In the near term however, years of investments are required to drive growth at Wind, which on top of an already long list of investment priorities will constrain SJR's ability to grow the dividend for the foreseeable future.

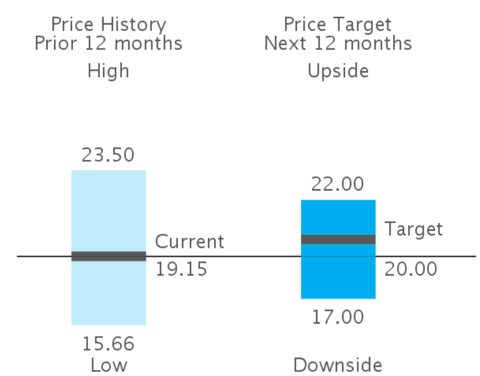
Upside case — **USD 22.00**

The Shaw family is increasingly considering a sale of the company, while the pressures on the cable business begin to moderate as Telus' penetration matures. Our upside case is based on an 8.0x multiple on our 2017 upside EBITDA.

Downside case — **USD 17.00**

The competitive environment intensifies once again as Telus tries to drive greater TV and Internet penetration, pressuring Shaw's cable business. Our downside case is based on 7.0x our 2017 downside EBITDA.

Upside/Downside scenarios



Source: Company data, Barclays Research
Note: FY End Aug

Valuation Methodology and Risks

Canadian Telecommunications, Media, and Technology

Shaw Communications Inc. (SJR/B CN / SJR-B.TO)

Valuation Methodology: Our price target is based on 7.5x our Consumer EBITDA, 8.0x our Business Network EBITDA, 11x our ViaWest EBITDA, and 7.0x our Wind Mobile EBITDA, using our F`2017 estimates, and converted using a spot FX rate of 1.30 USD/CAD.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

Shaw Communications Inc. (SJR)

Valuation Methodology: Our price target is based on 7.5x our Consumer EBITDA, 8.0x our Business Network EBITDA, 11x our ViaWest EBITDA, and 7.0x our Wind Mobile EBITDA, using our F`2017 estimates.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

Source: Barclays Research.

ANALYST(S) CERTIFICATION(S):

I, Phillip Huang, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

Shaw Communications Inc. (SJR, 04-Apr-2016, USD 19.15), Equal Weight/Neutral, CD/CE/J/V

Shaw Communications Inc. (SJR-B.TO, 04-Apr-2016, CAD 25.01), Equal Weight/Neutral, CD/CE/J/V

Materially Mentioned Stocks (Ticker, Date, Price)

Cogeco Communications Inc. (CCA.TO, 04-Apr-2016, CAD 69.40), Equal Weight/Neutral, CD/D/J/K/L/M/N

Cogeco Inc. (CGO.TO, 04-Apr-2016, CAD 56.95), Equal Weight/Neutral, CD/J

Corus Entertainment Inc. (CJR-B.TO, 04-Apr-2016, CAD 11.92), Rating Suspended/Neutral, CD/D/F/J/L/R/V

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IMPORTANT DISCLOSURES CONTINUED

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Rating Suspended - The rating and target price have been suspended temporarily due to market events that made coverage impracticable or to comply with applicable regulations and/or firm policies in certain circumstances including where the Investment Bank of Barclays Bank PLC is acting in an advisory capacity in a merger or strategic transaction involving the company.

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Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

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Below is the list of companies that constitute the "industry coverage universe":

Canadian Telecommunications, Media, and Technology		
BCE Inc. (BCE)	BCE Inc. (BCE.TO)	CGI Group Inc. (GIB)
CGI Group Inc. (GIB-A.TO)	Cogeco Communications Inc. (CCA.TO)	Cogeco Inc. (CGO.TO)
Constellation Software Inc. (CSU.TO)	Corus Entertainment Inc. (CJR-B.TO)	Descartes Systems Group (DSG.TO)
Descartes Systems Group (DSGX)	Manitoba Telecom Services Inc. (MBT.TO)	Open Text Corp. (OTC.TO)
Open Text Corp. (OTEX)	Quebecor Inc. (QBR-B.TO)	Rogers Communications Inc. (RCI)
Rogers Communications Inc. (RCI-B.TO)	Shaw Communications Inc. (SJR)	Shaw Communications Inc. (SJR-B.TO)
Telus Corp. (T.TO)	Telus Corp. (TU)	

Distribution of Ratings:

Barclays Equity Research has 1873 companies under coverage.

41% have been assigned an Overweight rating which, for purposes of mandatory regulatory disclosures, is classified as a Buy rating; 61% of companies with this rating are investment banking clients of the Firm.

IMPORTANT DISCLOSURES CONTINUED

40% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 51% of companies with this rating are investment banking clients of the Firm.

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To see a list of companies that comprise a particular industry coverage universe, please go to http://publicresearch.barclays.com.

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IMPORTANT DISCLOSURES CONTINUED

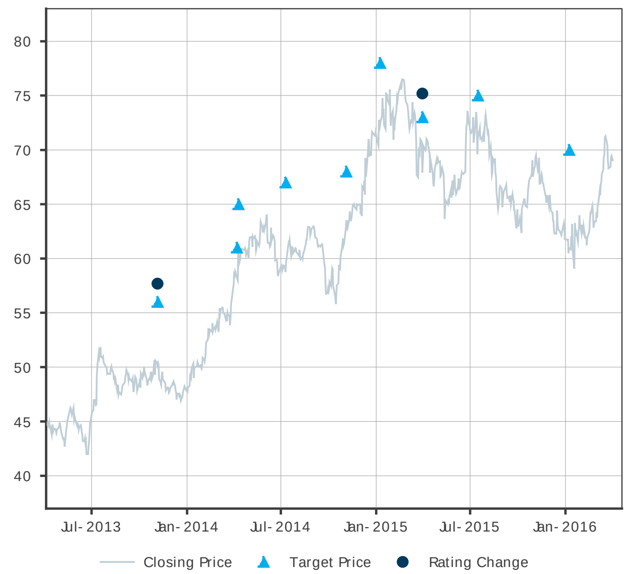
Cogeco Communications Inc. (CCA CN / CCA.TO)

CAD 69.40 (04-Apr-2016)

Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Rating and Price Target Chart - CAD (as of 04-Apr-2016)



Source: IDC, Barclays Research

Currency=CAD

Date	Closing Price	Rating	Adjusted Price Target
08-Jan-2016	60.96		70.00
16-Jul-2015	71.50		75.00
31-Mar-2015	67.91	Equal Weight	73.00
08-Jan-2015	72.20		78.00
04-Nov-2014	63.19		68.00
10-Jul-2014	58.75		67.00
10-Apr-2014	60.80		65.00
07-Apr-2014	58.28		61.00
05-Nov-2013	50.17	Overweight	56.00

Source: Thomson Reuters, Barclays Research

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Link to Barclays Live for interactive charting

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Valuation Methodology: Our price target is based on 6.0x our Canadian cable EBITDA of $639m, 5.5x our US cable EBITDA of $303m, and 9.0x our Enterprise EBITDA of $129m, using our fiscal 2017 estimates.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Challenges integrating the acquisition of Atlantic Broadband; increased competition from telcos in Cogeco's rural and suburban markets; and the government enacts regulations which have negative implications for the industry.

IMPORTANT DISCLOSURES CONTINUED

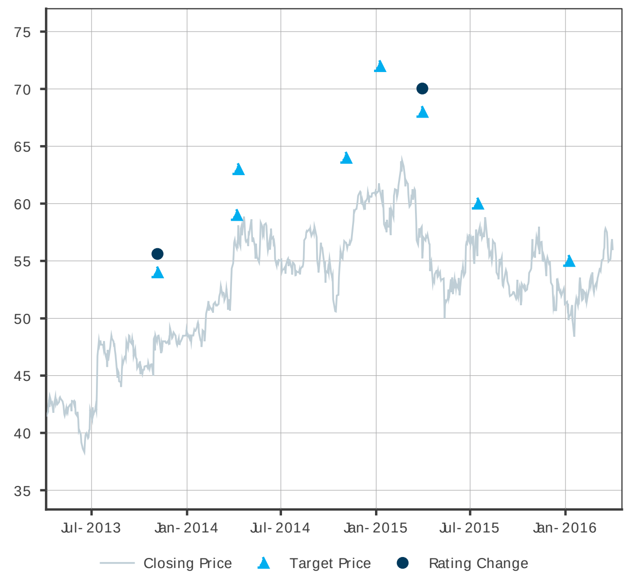
Cogeco Inc. (CGO CN / CGO.TO)

CAD 56.95 (04-Apr-2016)

Stock Rating: **EQUAL WEIGHT**

Industry View: **NEUTRAL**

Rating and Price Target Chart - CAD (as of 04-Apr-2016)



Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=CAD

Date	Closing Price	Rating	Adjusted Price Target
08-Jan-2016	50.11		55.00
16-Jul-2015	57.15		60.00
31-Mar-2015	55.22	Equal Weight	68.00
08-Jan-2015	61.12		72.00
04-Nov-2014	56.60		64.00
10-Apr-2014	58.10		63.00
07-Apr-2014	56.10		59.00
05-Nov-2013	48.32	Overweight	54.00

Source: Thomson Reuters, Barclays Research

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Valuation Methodology: Our price target is based on our price target for CCA, and 4.0x our fiscal 2017 media EBITDA of $21m.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Challenges integrating the acquisition of Atlantic Broadband; increased competition from telcos in Cogeco's rural and suburban markets; and the government enacts regulations which have negative implications for the industry.

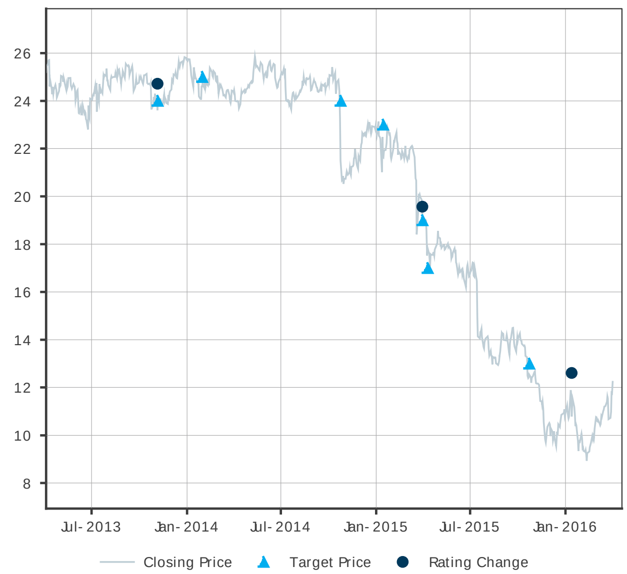
IMPORTANT DISCLOSURES CONTINUED

Corus Entertainment Inc. (CJR/B CN / CJR-B.TO)

CAD 11.92 (04-Apr-2016)

Stock Rating	Industry View
RATING SUSPENDED	**NEUTRAL**

Rating and Price Target Chart - CAD (as of 04-Apr-2016)



Source: IDC, Barclays Research

Currency=CAD

Date	Closing Price	Rating	Adjusted Price Target
13-Jan-2016	10.78	Rating Suspended	
23-Oct-2015	12.54		13.00
10-Apr-2015	17.84		17.00
31-Mar-2015	19.24	Underweight	19.00
14-Jan-2015	21.65		23.00
24-Oct-2014	21.51		24.00
30-Jan-2014	24.60		25.00
05-Nov-2013	23.61	Equal Weight	24.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Link to Barclays Live for interactive charting

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Valuation Methodology: Rating Suspended

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Rating Suspended

IMPORTANT DISCLOSURES CONTINUED

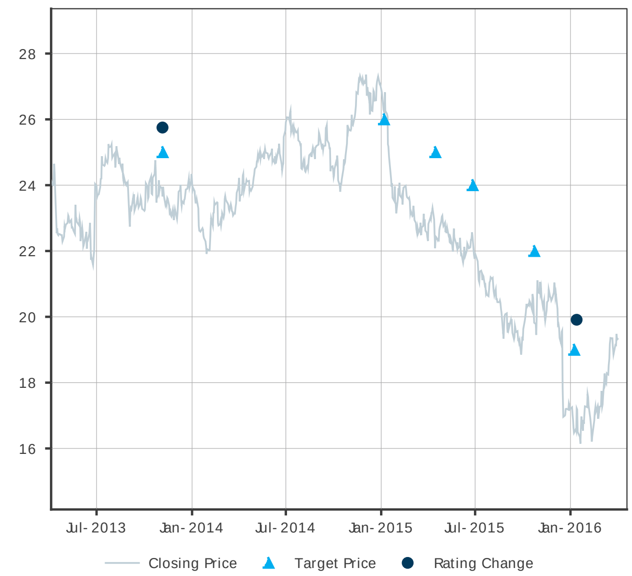
Shaw Communications Inc. (SJR / SJR)

USD 19.15 (04-Apr-2016)

Stock Rating **EQUAL WEIGHT**

Industry View **NEUTRAL**

Rating and Price Target Chart - USD (as of 04-Apr-2016)



Source: IDC, Barclays Research

Currency=USD

Date	Closing Price	Rating	Adjusted Price Target
13-Jan-2016	17.22	Rating Suspended	
08-Jan-2016	16.48		19.00
23-Oct-2015	19.82		22.00
26-Jun-2015	22.43		24.00
15-Apr-2015	22.08		25.00
06-Jan-2015	26.24		26.00
05-Nov-2013	23.66	Equal Weight	25.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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V: The equity securities of Shaw Communications Inc. include non-voting restricted shares.

Valuation Methodology: Our price target is based on 7.5x our Consumer EBITDA, 8.0x our Business Network EBITDA, 11x our ViaWest EBITDA, and 7.0x our Wind Mobile EBITDA, using our F`2017 estimates.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

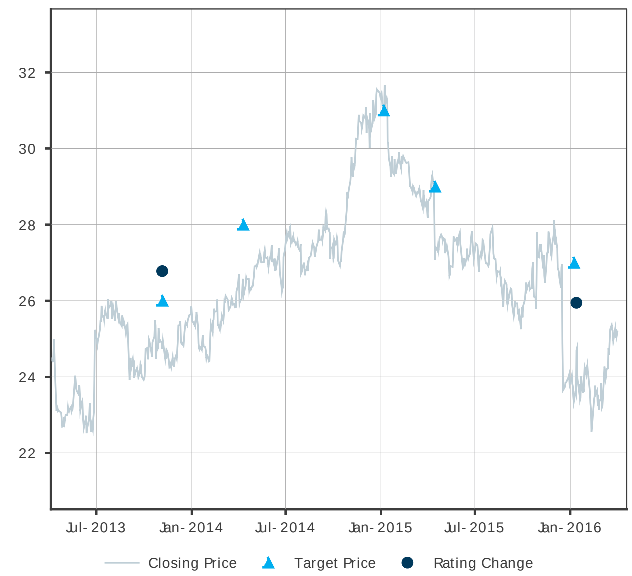
Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

IMPORTANT DISCLOSURES CONTINUED

Shaw Communications Inc. (SJR/B CN / SJR-B.TO) Stock Rating Industry View

CAD 25.01 (04-Apr-2016) **EQUAL WEIGHT** **NEUTRAL**

Rating and Price Target Chart - CAD (as of 04-Apr-2016)



Source: IDC, Barclays Research

Currency=CAD

Date	Closing Price	Rating	Adjusted Price Target
13-Jan-2016	24.70	Rating Suspended	
08-Jan-2016	23.34		27.00
15-Apr-2015	27.07		29.00
06-Jan-2015	31.00		31.00
10-Apr-2014	26.58		28.00
05-Nov-2013	24.74	Equal Weight	26.00

Source: Thomson Reuters, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

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V: The equity securities of Shaw Communications Inc. include non-voting restricted shares.

Valuation Methodology: Our price target is based on 7.5x our Consumer EBITDA, 8.0x our Business Network EBITDA, 11x our ViaWest EBITDA, and 7.0x our Wind Mobile EBITDA, using our F`2017 estimates, and converted using a spot FX rate of 1.30 USD/CAD.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

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This is Exhibit 72 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

EQUITY RESEARCH

RBC Capital Markets

RBC Dominion Securities Inc.
Drew McReynolds, CFA, CA (Analyst)
(416) 842-3805
drew.mcreynolds@rbccm.com

Jeffrey Lau, CFA (Associate)
(416) 842-4123
jeffrey.lau@rbccm.com

Sector: Telecommunications & Wireless

July 15, 2016

Shaw Communications Inc.

Competitive Position Should Strengthen Following a Transition Year in F2017

Our view: Q3/16 results were largely in line with our expectations. We view F2017 as a transition year of heavy investments in both wireless and wireline, both of which should strengthen Shaw's competitive position in F2018 and beyond.

Key points:

- **Look for a more timely entry point.** We believe the company's entry into wireless and divestiture of Shaw Media has significantly improved the quality of the revenue mix and added a major boost to revenue and EBITDA growth. Despite our more positive longer-term view and a reasonable valuation (FTM EV/EBITDA of 7.7x versus 7.8x for large cap peers), we would look for a more timely entry point pending: (i) greater visibility around wireless capex, including spectrum; (ii) renewed dividend growth post LTE spend; and (iii) easing Alberta and competitive headwinds.
- **Focus shifts to F2018 capex profile with updated F2016/F2017 guidance.** Management expects F2016 EBITDA growth to be "flat to low-single digit" on a consolidated basis given the new asset mix. Updated F2016 capex guidance of $1.2B compared to our previous estimate of $1.1B with the uptick reflecting incremental wireline capex to support new offerings in what remains a competitively intense environment. F2017 capex guidance is $1.3B, which is slightly higher than our previous $1.2B estimate and assumes the completion of the LTE upgrade and full X1 deployment and DOCSIS 3.1/1 Gbps rollout across the footprint. Given this extensive technology roadmap in F2017, management indicated that capex in F2018 should decline YoY. Our forecast factors in annual capex of $1.3B for the F2018E-F2020E period implying a decrease in capex intensity from 26% in F2017E to 22% by F2020E.
- **Still early days for wireless.** Wireless revenue and EBITDA in Q3/16 was $132MM and $29MM, respectively, versus our estimates of $132MM and $20MM with EBITDA margins of 22.0% exceeding our estimate of 15.0%. Other key metrics: (i) net additions were +23k, slightly below our estimate of +33k; (ii) wireless ARPU of $36.30 was up +3.6% YoY and was largely in line with our $36.87 estimate; and (iii) postpaid subscribers represent 64% of the base. Management sees “moderate growth” in wireless until the LTE upgrade is completed by the end of F2017, and continues to target ARPU on gross additions in the $40s.
- **Some wireline RGU improvement should emerge in F2017.** Excluding the non-recurring -5k impact from Fort McMurray and a -2k reclassification, Consumer wireline RGUs of -40k were in line with our -37k estimate. Looking into F2017, we expect the wireline RGU trajectory to gradually improve driven by: (i) full X1 deployment and DOCSIS 3.1/1Gbps rollout; (ii) a stabilization of economic headwinds in Alberta; and (iii) new promotional offerings; offset by (iv) rising substitution; and (v) FTTH expansion.

Sector Perform

TSX: SJR.B; CAD 24.86; NYSE: SJR

Price Target CAD 25.00

WHAT'S INSIDE	
☐ Rating/Risk Change	☐ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☐ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
20.00	24.86	25.00	28.00
↓ 15%		↑ 5%	↑ 17%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	461.0	Market Cap (MM):	11,460
Dividend:	1.10	Yield:	4.4%
		Enterprise Val. (MM):	20,000
		Avg. Daily Volume:	2,085,108

Strategic Ownership: Shaw Family (12% equity; 79% voting)

RBC Estimates

FY Aug	2014A	2015A	2016E	2017E
Revenue	5,235.0	5,488.0	4,866.0	5,369.0
Prev.			4,880.0	5,400.0
EPS, Adj Basic	1.88	1.85	1.31	1.57
Prev.			1.34	1.52
P/AEPS	13.2x	13.4x	19.0x	15.8x
EBITDA	2,262.0	2,379.0	2,126.0	2,291.0
Prev.			2,116.0	2,254.0

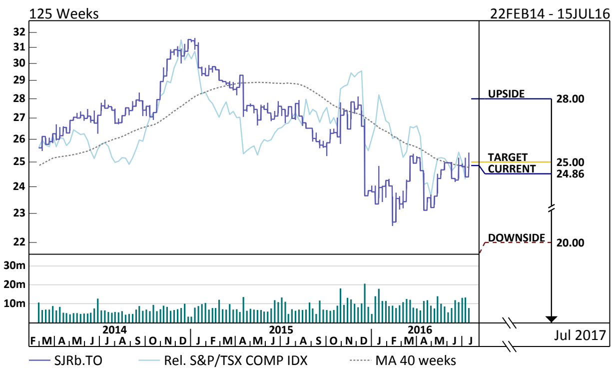
Revenue	**Q1**	**Q2**	**Q3**	**Q4**
2015	1,389.0A	1,337.0A	1,419.0A	1,343.0A
2016	1,419.0A	1,151.0A	1,283.0A	1,307.0E
Prev.			1,291.0E	1,312.0E
EPS, Adj Basic				
2015	0.47A	0.40A	0.42A	0.57A
2016	0.43A	0.22A	0.29A	0.35E
Prev.			0.37E	0.36E

All values in CAD unless otherwise noted.

RBC Capital Markets

Target/Upside/Downside Scenarios

Exhibit 1: Shaw Communications Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/base case

Our one-year price target of $25.00 and Sector Perform rating for Shaw is based on the average of three approaches: (1) applying a 14.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/ EBITDA multiples of 6.5x, 8.0x, 9.0x and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest and wireless, respectively; and (3) discounted FCF through F2020E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment.

Upside scenario

Our upside scenario translates to a $28 value. This scenario assumes slightly greater RGU growth, more robust cable ARPU growth, better than expected wireless ARPU and subscriber growth, and a faster re-acceleration in Business Network Services and ViaWest revenue growth.

Downside scenario

Our downside scenario translates to a $20 value. This scenario assumes greater deterioration in the RGU base combined with modest cable ARPU growth, a prolonged wireless drag on FCF and no re-acceleration in Business Network Services and ViaWest revenue growth.

Investment summary

Strategically, we believe the company's entry into wireless and divestiture of Shaw Media has significantly improved the quality of the revenue mix and added a major boost to the revenue and EBITDA growth profile of the stock. Despite our more positive long-term view and now a more attractive entry point (FTM EV/EBITDA of 7.7x versus an average of 7.8x for large cap peers), we would look for a more timely entry point pending: (i) greater visibility around wireless capex requirements, including spectrum outlays (we assume some form of 600 MHz set aside for smaller wireless operators); (ii) renewed dividend growth post LTE spend; and (iii) easing Alberta and competitive headwinds.

Potential catalysts for the stock:

- Easing of IPTV market share gains resulting in fewer cable subscriber losses
- Better than expected X1 traction
- An eventual easing of wireless capex intensity
- Incremental WiFi, Internet, and business market monetization longer-term

Potential risks for the stock:

- Greater than expected wireless capex and/or the inability to execute on wireless
- Greater-than-expected market share gains from the rollout of TELUS Optik TV and Internet
- The inability to realize additional annual cost savings to maintain cable margins
- Greater-than-expected telephony and television substitution
- The emergence of irrational pricing in the residential telephony, television, and/or Internet markets

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

What Is New / What Has Changed

- **Focus shifts to F2018 capex profile following updated F2016 guidance and the provision of F2017 capex guidance.** Management expects F2016 EBITDA growth to be "flat to low-single digit" on a consolidated basis given the new asset mix (i.e., including wireless for two quarters and excluding Shaw Media), which compares to our forecast of +4.4%. Updated F2016 capex guidance of $1.2B compared to our previous estimate of $1.1B with the uptick reflecting incremental wireline capex (network investments and CPE) to support new offerings in what remains a competitively intense environment. F2017 capex guidance is $1.3B, which is slightly higher than our previous $1.2B estimate. F2017 capex guidance assumes the completion of the LTE upgrade in the existing wireless footprint, full X1 deployment and full DOCSIS 3.1/1 Gbps rollout across the footprint. Given this extensive technology roadmap in F2017 (and particularly the completion of the LTE upgrade), management indicated that capex in F2018 should decline YoY. Our forecast factors in annual capex of $1.3B for the F2018E-F2020E period implying a decrease in capex intensity from 26% in F2017E to 22% by F2020E.

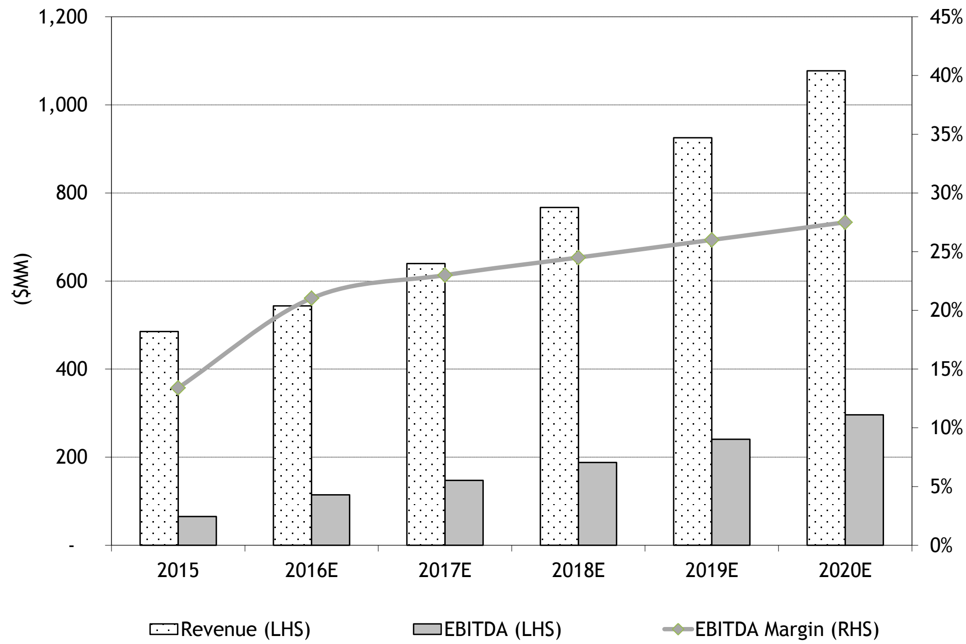
- **Still early days for wireless; Differences in wireless accounting will make financial comparisons to the national incumbents difficult.** Wireless revenue and EBITDA in Q3/16 was $132MM and $29MM, respectively, versus our estimates of $132MM and $20MM with EBITDA margins of 22.0% exceeding our estimate of 15.0%. In terms of other key wireless metrics disclosed: (i) net additions (postpaid and prepaid) were +23k, slightly below our estimate of +33k; (ii) wireless ARPU of $36.30 (calculated on service revenue only) was up +3.6% YoY and was largely in line with our $36.87 estimate; and (iii) postpaid subscribers represent 64% of the wireless subscriber base. Management sees “moderate growth” in wireless until the LTE upgrade is completed by the end of F2017, and continues to target ARPU on gross additions in the $40s.

  Importantly to note, Shaw’s accounting policy for handset subsidies differs from the national incumbents. Shaw records the full cost of the handset in wireless revenue with the handset subsidy recorded as a receivable on the balance sheet to be amortized/netted against wireless revenue over the life of the contract. This accounting policy stands in contrast to BCE, Rogers and TELUS, which record the full cost of the handset in equipment costs and the amount received by the customer in equipment revenue, with the difference in-period being the handset subsidy. Shaw’s rationale for adopting this accounting policy is three-fold: (i) continuity with WIND’s existing accounting policy; (ii) WIND effectively has two contracts – one for service and one for the handset – the structure of which supports the current accounting policy; and (iii) the current accounting policy is more in line with the pending changes in revenue recognition that are forthcoming under IFRS.

  As a result, as Shaw’s gross additions/handset activity ramp-up, wireless revenue growth will reflect the higher volume of higher-priced handsets (boosting revenue growth) while handset subsidies will not become an immediate drag on EBITDA – both of which should translate to higher EBITDA margins versus what would otherwise be reported under the accounting policy of the national incumbents. From a cash flow perspective, management indicated that wireless “cash EBITDA” in Q3/16 would have been approximately $3MM lower versus the $29MM in wireless EBITDA reported. Management also emphasized that while balancing wireless growth and profitability is an objective, optimizing wireless EBITDA margins in the near-term is not a priority. When the company completes the LTE upgrade and launches the Shaw wireless brand, we would expect EBITDA margins to be temporarily impacted.

  Exhibit 2 provides a summary of our wireless financial forecast.

Exhibit 2: Factoring in steady wireless revenue and EBITDA growth and margin expansion



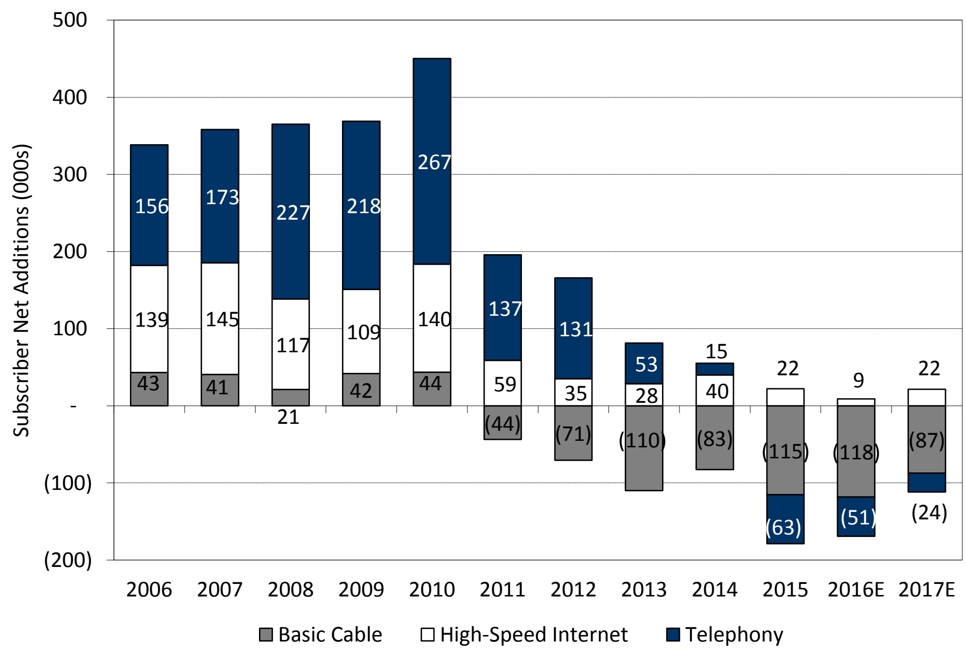
Sources: Company reports, RBC Capital Markets estimates

- **Wireline RGU growth still facing several headwinds but some improvement should emerge in F2017.** Consumer RGUs of -47k were below our -37k estimate and compare to -46k in Q3/15. Excluding the non-recurring -5k impact from Fort McMurray and -2k that was reclassified from Consumer to Business, RGUs were closer to -40k. While satellite net additions of +4k were better than our -5k estimate, Internet net additions of -9k were well below our +8k estimate and +5k in Q3/15. Management attributed the shortfall mainly to the growing seasonality of single-play university students but also acknowledged an intense competitive environment.

  Looking into F2017, we expect the wireline RGU trajectory to gradually improve driven by: (i) full X1 deployment and DOCSIS 3.1/1Gbps rollout across the entire footprint by the end of F2017; (ii) a potential stabilization, if not easing, of economic headwinds in Alberta; and (iii) new promotional offerings, such as the recent launch of “WideOpen Internet 150” (i.e., 150 Mbps download and 15 Mbps upload under a 12-month promotion for $49.90/month); offset by (iv) rising telephony and television substitution; and (v) FTTH expansion. Excluding the -2k that was reclassified from Consumer to Business, Business RGUs of +2k were largely in line with our +3k estimate and compared to +5k in Q3/15.

  Exhibit 3 shows the trend in subscriber growth for both Consumer and Business Network Services.

Exhibit 3: An improvement in wireline RGUs should emerge in F2017



Note: Subscriber figures include both Consumer and Business

Sources: Company reports, RBC Capital Markets estimates

- **Other notables.** (i) X1-related costs in F2016 are expected to be approximately $75MM comprising 2/3 capex and 1/3 opex, and are expected to remain stable in F2017 but shifting to 1/3 capex and 2/3 opex; (ii) Q3/16 revenues, EBITDA and EBITDA margins for Business Network Services and Business Infrastructure Services (ViaWest) were in line with our expectations; (iii) a $51MM write-down was taken on Shaw's joint venture investment in shomi, taking the book value of the investment to nil; (iv) Shaw's definition of FCF includes the Corus shares issued under the DRIP on the view that Shaw could sell these shares for cash; and (v) management remains committed to an eventual resumption in dividend growth and an investment grade balance sheet, and currently has no plans for any major asset divestitures (i.e., ViaWest, wireless assets in Ontario, Corus shares).

Q3/16 Results Largely In Line with Expectations

Revenues and EBITDA of $1,283MM (+13.0% YoY) and $555MM (+5.3% YoY), respectively, compare to our estimates of $1,291MM and $550MM. Adjusting for a -$3MM temporary negative revenue hit related to Fort McMurray, we view these results as largely in line with our expectations. Consolidated EBITDA margins were 43.3% (-317bps YoY due to the inclusion of wireless) versus our estimate of 42.6%. Please see Exhibit 4 for a detailed summary of Q3/16 results versus our expectations.

Exhibit 4: Summary of Q3/16 Results versus Our Expectations

Shaw Communications			RBC Capital Markets			Consensus[4]		
Q3/16 Results Summary	Q3/16A	YoY Δ	Q3/16E	YoY Δ	Q3/15A	Q3/16E	YoY Δ	RBC Capital Markets Comments
Financial Summary (C$MM)								
Revenue								
Consumer	935	-1.5%	946	-0.3%	949	939	-1.1%	Weaker due to economic environment, lower subscribers and $2MM from Fort McMurray
Business Network Services	136	3.8%	137	4.4%	131	138	5.3%	Excluding satellite growth was +5.1%; $1MM loss due to Fort McMurray
Business Infrastructure Services	86	36.5%	86	36.0%	63	87	38.1%	Underlying revenue growth was +12.1%
Wireless	132	-	132	-	-	135	-	Wireless revenues +24% YoY
Intersegment	(6)	-	(10)	-	(8)	(12)	-	
	1,283	**13.0%**	**1,291**	**13.8%**	**1,135**	**1,287**	**13.4%**	
EBITDA								
Consumer	427	-2.7%	432	-1.6%	439	432	-1.6%	Programming costs as well as higher associated costs with launch of FreeRange TV
Business Network Services	66	4.8%	66	4.2%	63	66	4.8%	Excluding satellite growth was +8.6%
Business Infrastructure Services	33	32.0%	33	30.3%	25	34	36.0%	
Wireless	29	-	20	-	-	21	-	Better than expected in part reflecting the absence of handset subsidies due to accounting policy
	555	**5.3%**	**550**	**4.4%**	**527**	**553**	**4.9%**	
EBITDA Margin								
Consumer	45.7%	-59bps	45.6%	-62bps	46.3%	46.0%	-25bps	
Business Network Services	48.5%	44bps	48.0%	-9bps	48.1%	47.8%	-27bps	
Business Infrastructure Services	38.4%	-131bps	38.0%	-168bps	39.7%	39.1%	-60bps	
Wireless	22.0%	-	15.0%	-	-	15.6%	-	
	43.3%	**-317bps**	**42.6%**	**-384bps**	**46.4%**	**43.0%**	**-346bps**	
Basic EPS	**$1.44**	**242.9%**	**$1.45**	**245.8%**	**$0.42**	**$0.36**	**-14.3%**	
FCF[1]	**182**	**-28.9%**	**183**	**-28.5%**	**256**	**125**	**-51.2%**	FCF includes $14MM in Corus dividends
Capex[2]	**286**	**21.7%**	**307**	**30.7%**	**235**	**282**	**20.0%**	Includes $51MM of wireless capex
% revenue	22.3%	159bps	23.8%	309bps	20.7%	21.9%	121bps	
Net Debt[3]	**5,576**	**-1.0%**	**5,934**	**5.4%**	**5,632**			
Net Debt / LTM EBITDA[3]	2.67x	0.19x	2.64x	0.16x	2.48x			
Operating Summary (000s)								
Consumer								
Cable Subscribers	1,693	-5.8%	1,697	-5.7%	1,798			
Net Additions	(27)	-	(24)	-	(24)			Consumer RGUs negatively impacted by -5k due to Fort McMurray
Internet Subscribers	1,777	0.2%	1,794	1.1%	1,774			
Net Additions	(9)	-	8	51.2%	5			Mainly attributed to growing "single-play" student disconnects
Telephony Subscribers	976	-8.1%	976	-8.1%	1,062			
Net Additions	(15)	-	(15)	-	(27)			Driven by wireless substitution
Satellite Subscribers	797	-2.8%	788	-3.9%	820			
Net Additions	4	-	(5)	-	(1)			First time since February 2013 that net additions were positive
Business Network Services								
Cable Subscribers	63	-24.6%	58	-30.0%	83			
Net Additions	1	-	(3)	-	(1)			
Internet Subscribers	178	1.4%	177	0.5%	176			
Net Additions	0	-76.1%	(1)	-	2			
Telephony Subscribers	295	5.5%	296	5.7%	280			
Net Additions	5	-9.9%	6	0.0%	6			
Satellite Subscribers	31	-0.6%	35	11.2%	32			
Net Additions	(3)	-	1	-	(2)			
Wireless								
Wireless Subscribers	1,003	15.7%	1,013	-	867			Up from 980K reported in Q2/16 and 940K at the time of December 2015 acquisition
Net Additions	23	n/a	33	-	-			Likely impacted by churn; Management believes churn will improve upon LTE completion
Blended ARPU	$36.30	n/a	$36.30	-	-			New subscriber ARPU "around $40"

[1]FCF defined as per company guidance; FCF includes Corus dividends
[2]Capex includes additions to PPE and equipment costs
[3]Net debt defined as current portion of long-term debt + long-term debt + preferred shares - cash & equivalents
[4]Company-compiled consensus provided June 24, 2016

Sources: Company reports, RBC Capital Markets estimates, StreetAccount consensus

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

RBC Capital Markets

No Change to our $25 Price Target

We have made adjustments to our forecast mainly to reflect: (i) lower near-term wireless net addition assumptions, offset by higher wireless margins; and (ii) updated capex guidance, which resulted in an approximate $100MM increase in our F2016E and F2017E capex estimates. Our F2016E and F2017E EBITDA estimates increase from $2,116MM and $2,254MM, respectively, to $2,126MM and $2,291MM. Following our estimate revisions, our $25 price target and Sector Perform rating remain unchanged. Exhibit 5 provides a summary of changes to our forecast. Exhibit 6 shows the calculation of our price target. Exhibit 7 shows how Shaw's valuation has historically compared to the average for the peer group. Exhibit 8 provides a summary of comparable valuations. Exhibit 9 provides a summary of key operating and financial metrics for our Canadian telecom coverage. Exhibits 10–13 provide summaries of our financial forecasts and operating metrics for Shaw.

Exhibit 5: Summary of Changes to Our Forecast

Shaw Communications			F2016E		F2016E RBC Capital Markets			F2017E	F2017E	F2017E RBC Capital Markets		
RBC Capital Markets Estimate Revisions	F2015A	YoY Δ	Guidance [3]	Consensus [4]	Previous	New	YoY Δ	Guidance	Consensus [4]	Previous	New	YoY Δ
Financial Forecasts ($MM)												
Revenue												
Consumer	3,752	-0.4%			3,762	3,743	-0.2%			3,815	3,786	1.1%
Business Network Services	520	7.4%			548	548	5.4%			579	586	6.9%
Business Infrastructure Services	246	-			339	339	38.0%			386	386	13.7%
Wireless	-	-			287	283	nmf			660	639	126.2%
Intersegment Eliminations	(110)	-			(56)	(48)	-			(40)	(28)	-
	5,488	**4.7%**		4,899	**4,880**	**4,866**	**-11.3%**		5,296	**5,400**	**5,369**	**10.3%**
EBITDA												
Consumer	1,685	1.0%			1,686	1,674	-0.7%			1,708	1,706	1.9%
Business Network Services	256	6.7%			262	264	3.2%			284	287	8.6%
Business Infrastructure Services	95	-			125	126	32.3%			150	151	19.7%
Wireless	-	-			43	62	nmf			112	147	136.6%
	2,036	**-10.0%**	"Flat-to-low-single digit"	2,126	**2,116**	**2,126**	**4.4%**		2,221	**2,254**	**2,291**	**7.8%**
EBITDA Margins												
Consumer	44.9%	62bps			44.8%	44.7%	-19bps			44.8%	45.1%	35bps
Business Network Services	49.2%	-36bps			47.8%	48.2%	-104bps			49.0%	49.0%	80bps
Business Infrastructure Services	38.6%	-			37.0%	37.0%	-157bps			39.0%	39.0%	195bps
Wireless	-	-			15.0%	22.0%	nmf			17.0%	23.0%	101bps
	37.1%	**-604bps**		43.4%	**43.4%**	**43.7%**	**659bps**		41.9%	**41.7%**	**42.7%**	**-103bps**
Adjusted EPS	**$1.85**	**-1.7%**		$1.33	**$1.34**	**$1.31**	**-29.4%**		$1.42	**$1.52**	**$1.57**	**19.7%**
Capex[1]	**972**	**13.7%**	$1,200MM	1,143	**1,099**	**1,197**	**23.1%**	$1,300MM	1,184	**1,204**	**1,306**	**9.2%**
% revenue	17.7%	141bps		23.3%	22.5%	24.6%	688bps		22.4%	22.3%	24.3%	-27bps
FCF	**653**	**-6.4%**			**455**	**468**	**-28.3%**			**460**	**523**	**11.7%**
Net Debt[2]	**5,571**	**28.0%**			**5,900**	**5,888**	**5.7%**			**6,005**	**6,015**	**2.2%**
Net Debt/EBITDA[2]	2.3x	0.42x			2.6x	2.6x	0.28x			2.7x	2.6x	0.00x
Operating Forecasts (000s)												
Consumer												
Cable Subscribers	1,765	-5.5%			1,667	1,663	-5.7%			1,588	1,584	-4.8%
Net Additions	(103)	-			(98)	(101)	-			(78)	(79)	-
Internet Subscribers	1,772	0.6%			1,802	1,782	0.6%			1,832	1,800	1.0%
Net Additions	12	-28.9%			30	10	-19.9%			30	18	74.9%
Telephony Subscribers	1,027	-7.5%			966	961	-6.5%			936	921	-4.2%
Net Additions	(83)	-			(62)	(67)	-			(30)	(40)	-
Satellite Subscribers	812	-4.5%			783	792	-2.5%			758	776	-2.0%
Net Additions	(38)	-			(29)	(20)	-			(25)	(16)	-
Wireless Subscribers	-	-			1,068	1,059	-			1,218	1,179	11.3%
Net Additions	-	-			130	121	-			150	120	-0.8%
Business Network Services												
Cable Subscribers	78	-14.0%			52	61	-21.8%			44	53	-13.2%
Net Additions	(13)	-			(25)	(17)	-			(8)	(8)	-
Internet Subscribers	180	7.0%			176	179	-0.6%			180	183	2.2%
Net Additions	10	-56.8%			(5)	(1)	-			4	4	-
Telephony Subscribers	285	7.6%			301	300	5.5%			317	316	5.2%
Net Additions	20	-9.4%			16	16	-22.1%			16	16	0.0%
Satellite Subscribers	31	3.1%			36	32	3.2%			40	36	12.3%
Net Additions	1	-92.2%			5	1	6.7%			4	4	297.2%

[1]Capex and FCF defined as per company guidance; FCF includes Corus dividends
[2]Net debt defined as current portion of long-term debt + long-term debt + preferred shares - cash & equivalents
[3]EBITDA growth guidance includes wireless and excludes media; Capex guidance includes wireless
[4]Company-compiled estimates provided June 24, 2016

Sources: Company reports, RBC Capital Markets estimates, Thomson consensus

Exhibit 6: Calculation of Our Price Target

SHAW COMMUNICATIONS VALUATION
(C$MM unless stated, Year Ended August 31)

Calculation of Target Price

Summary	Target Multiple	Weight	Value / Share
EV/EBITDA	7.4x	33%	$25.47
P/E	14.0x	33%	$24.03
DCF		33%	$24.59
Average		100%	$24.70
Target Price			**$25.00**

Implied FCF Yield	Price	F2015	F2016E	F2017E	F2018E	F2019E
FCF		$580	$240	$331	$581	$666
FCF per Share		$1.24	$0.50	$0.68	$1.18	$1.34
FCF Yield @ Market	$24.86	5.0%	2.0%	2.7%	4.8%	5.4%
FCF Yield @ Target	$25.00	5.0%	2.0%	2.7%	4.7%	5.4%

P/E

	Target Multiple	F2015	F2016E	F2017E	F2018E	F2019E
Adjusted EPS		$1.85	$1.31	$1.57	$1.75	$1.91
Equity Value per Share	14.0x	$25.92	$18.31	$21.91	$24.46	$26.71

Blended 2-Year Forward NAV **$24.03**

EV/EBITDA

	Target Multiple	F2015	F2016E	F2017E	F2018E	F2019E
Adjusted EBITDA						
Consumer		1,613	1,592	1,624	1,659	1,703
Business Services		256	264	287	318	347
Media		342	-	-	-	-
ViaWest		95	126	151	168	186
Wireless		-	33	147	188	241
		2,306	2,015	2,209	2,334	2,477
Enterprise Value						
Consumer	6.50x	10,485	10,347	10,557	10,786	11,072
Business Services	8.00x	2,048	2,113	2,296	2,546	2,776
Media	7.00x	2,394	-	-	-	-
ViaWest	9.00x	855	1,131	1,355	1,515	1,677
Wireless		-	2,125	2,295	2,479	2,677
		15,782	15,717	16,503	17,325	18,201
Implied Blended Multiple		6.8x	7.8x	7.5x	7.4x	7.3x
Enterprise Value		15,782	15,717	16,503	17,325	18,201
Less: Net Debt		(5,808)	(5,889)	(6,016)	(5,896)	(5,738)
Add: Investments		97	1,083	1,221	1,305	1,372
Net Asset Value		10,071	10,911	11,707	12,735	13,836
Shares Outstanding		474	485	489	494	498
Equity Value per Share		$21.25	$22.51	$23.92	$25.78	$27.77

Blended 2-Year Forward NAV **$25.47**

Discounted FCF

Capitalization	Shares	Price	Value	Weight
Shares	485	$24.86	12,052	67%
Net Debt			5,889	33%
Capitalization @ Market			17,941	100%

Cost of Capital	Cost Cap.	Weight	WACC
Equity	9.7%	67%	6.5%
Debt	4.5%	33%	1.5%
WACC			8.0%
Terminal Growth Rate			1.5%

Sensitivity to DCF Assumptions

Terminal Growth \ WACC	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
0.0%	$26.16	$23.66	$21.50	$19.61	$17.94	$16.46	$15.14
0.5%	$28.48	$25.62	$23.17	$21.05	$19.19	$17.55	$16.10
1.0%	$31.24	$27.91	$25.10	$22.69	$20.61	$18.78	$17.17
1.5%	$34.54	$30.62	$27.35	$24.59	$22.22	$20.17	$18.38
2.0%	$38.58	$33.86	$30.01	$26.80	$24.09	$21.76	$19.75
2.5%	$43.62	$37.83	$33.20	$29.42	$26.26	$23.60	$21.31
3.0%	$50.11	$42.79	$37.11	$32.56	$28.84	$25.74	$23.12

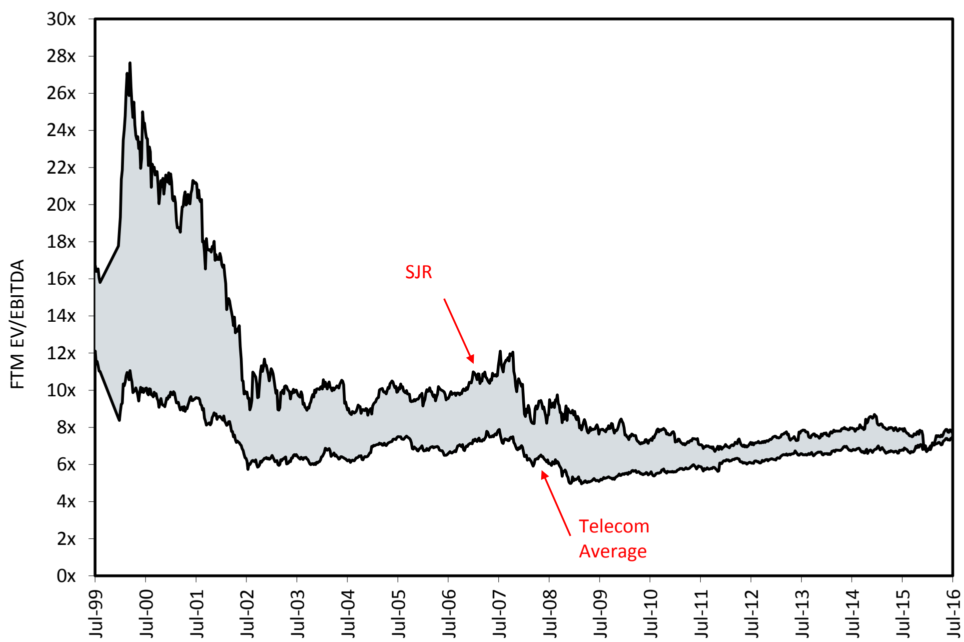
Year-End August 31	F2015	F2016E	F2017E	F2018E	F2019E	F2020E	F2021E	F2022E	F2023E	Terminal Value	2015-'23E CAGR
Adjusted EBITDA	2,306	2,162	2,209	2,334	2,477	2,632	2,791	2,941	3,100		3.8%
Less: Depreciation and Amortization	(895)	(961)	(1,013)	(1,043)	(1,074)	(1,106)	(1,140)	(1,174)	(1,209)		
EBIT	1,411	1,201	1,196	1,291	1,403	1,526	1,651	1,767	1,891		3.7%
Less: Unlevered cash taxes	(444)	(404)	(287)	(310)	(337)	(366)	(396)	(424)	(454)		
Add: Depreciation and Amortization	895	961	1,013	1,043	1,074	1,106	1,140	1,174	1,209		
Less: Capex	(1,018)	(1,234)	(1,388)	(1,345)	(1,379)	(1,418)	(1,457)	(1,496)	(1,534)		
Less: Changes in working capital and other	(142)	(130)	(4)	7	11	8	6	7	5		
Free Cash Flow to the Firm	702	394	530	686	772	856	944	1,027	1,118	17,452	6.0%

Enterprise Value	16,747
Less: Net Debt	(6,016)
Add: Other Investments	1,305
Equity Value	12,036
Shares Outstanding	489
	$24.59

Implied TTM Terminal Multiple: 5.9x

Sources: Company reports, RBC Capital Markets estimates

Exhibit 7: Shaw FTM EV/EBITDA Multiple versus the Canadian Telecom Average



Sources: Company reports, RBC Capital Markets estimates

RBC Capital Markets

Exhibit 8: Summary of Comparable Valuations

Cable and Telecom	Ticker	Share Price	Market Cap. (MM)	P/E 2015A	P/E 2016E	P/E 2017E	P/E FTM	EV/EBITDA[3] 2015A	EV/EBITDA[3] 2016E	EV/EBITDA[3] 2017E	EV/EBITDA[3] FTM	FCF Yield 2015A	FCF Yield 2016E	FCF Yield 2017E	FCF Yield FTM	Net Debt/ EBITDA	Dividend Yield	Dividend as % 2016E EPS[4]	Dividend as % 2016E FCF[5]
Canadian Telcos																			
BCE	BCE	C$62.52	C$54,305	18.6x	17.9x	16.6x	17.2x	8.7x	8.4x	8.0x	8.2x	4.3%	5.9%	7.2%	6.6%	2.8x	4.4%	78.0%	74.0%
Manitoba Telecom	MBT	C$38.43	C$3,002	49.9x	33.9x	30.4x	32.0x	9.1x	9.1x	8.6x	8.8x	4.7%	4.8%	3.6%	4.1%	1.6x	3.4%	114.8%	70.1%
TELUS Corporation	T	C$42.97	C$25,445	18.7x	18.0x	16.0x	16.9x	8.3x	8.0x	7.6x	7.8x	2.9%	3.7%	5.0%	4.4%	2.7x	4.1%	73.6%	109.7%
Average				**29.1x**	**23.2x**	**21.0x**	**22.1x**	**8.7x**	**8.5x**	**8.1x**	**8.3x**	**4.0%**	**4.8%**	**5.3%**	**5.1%**	**2.4x**	**3.9%**	**88.8%**	**84.6%**
Canadian Cablecos																			
Cogeco Communications	CCA	C$61.75	C$3,032	12.4x	11.3x	11.4x	11.4x	6.1x	5.8x	5.8x	5.8x	10.2%	7.5%	11.2%	10.7%	3.1x	2.5%	28.6%	33.5%
Quebecor[1]	QBR.B	C$38.97	C$4,774	21.7x	16.0x	13.8x	14.8x	7.5x	7.1x	6.6x	6.8x	5.1%	3.6%	5.2%	4.4%	3.7x	0.4%	5.7%	9.9%
Rogers Communications	RCI.B	C$53.91	C$27,749	18.5x	18.5x	16.7x	17.6x	8.0x	7.7x	7.3x	7.5x	5.5%	5.2%	6.4%	5.8%	3.0x	3.6%	65.9%	68.6%
Shaw Communications	SJR.B	C$24.86	C$12,021	13.4x	19.0x	15.9x	16.3x	7.6x	8.2x	7.7x	7.8x	5.0%	2.0%	2.7%	2.6%	2.6x	4.8%	91.0%	123.5%
Average				**16.5x**	**16.2x**	**14.5x**	**15.0x**	**7.3x**	**7.2x**	**6.8x**	**7.0x**	**6.4%**	**4.6%**	**6.3%**	**5.9%**	**3.1x**	**2.8%**	**47.8%**	**58.9%**
Cableco & Telco Average				**21.9x**	**19.2x**	**17.3x**	**18.0x**	**7.9x**	**7.8x**	**7.4x**	**7.5x**	**5.4%**	**4.7%**	**5.9%**	**5.5%**	**2.8x**	**3.3%**	**65.4%**	**69.9%**
US Telcos[2]																			
AT&T	T	US$42.89	US$222,728	15.8x	15.1x	14.3x	14.7x	7.3x	6.4x	6.0x	6.2x	7.3%	6.9%	7.2%	7.1%	2.6x	4.5%	67.6%	64.6%
Verizon Communications	VZ	US$55.84	US$229,112	12.7x	14.1x	13.8x	13.9x	7.0x	7.2x	7.0x	7.1x	15.2%	6.4%	6.8%	6.6%	2.3x	4.0%	57.1%	63.7%
Sprint	S	US$5.00	US$19,835	nmf	nmf	nmf	nmf	8.1x	6.3x	5.5x	6.0x	nmf	nmf	0.6%	nmf	3.8x	0.0%	-	-
T-Mobile US	TMUS	US$44.41	US$36,101	nmf	35.8x	23.5x	29.2x	8.3x	6.3x	5.4x	5.8x	2.8%	4.6%	8.2%	6.6%	3.3x	0.0%	-	-
Average				**14.3x**	**21.7x**	**14.1x**	**19.3x**	**7.7x**	**6.5x**	**6.5x**	**6.3x**	**8.4%**	**6.0%**	**5.7%**	**6.7%**	**3.0x**	**2.1%**	**62.3%**	**64.2%**
US Cablecos[2]																			
Comcast Corp.	CMCSA	US$66.88	US$177,366	20.6x	18.1x	16.2x	17.1x	9.1x	8.6x	8.1x	8.3x	5.3%	5.8%	6.0%	5.9%	2.0x	1.6%	29.7%	28.6%
Charter Communications	CHTR	US$234.98	US$26,267	nmf	nmf	nmf	nmf	nmf	6.3x	5.1x	5.7x	nmf	4.8%	6.5%	5.7%	4.2x	0.0%	-	-
DISH Networks	DISH	US$52.18	US$24,514	23.8x	30.5x	28.8x	29.6x	11.9x	12.2x	12.1x	12.2x	5.1%	4.0%	3.4%	3.6%	4.2x	0.0%	-	-
Average				**22.2x**	**24.3x**	**22.5x**	**23.3x**	**10.5x**	**9.0x**	**8.4x**	**8.7x**	**5.2%**	**4.8%**	**5.3%**	**5.1%**	**3.5x**	**0.5%**	**29.7%**	**28.6%**
US Average				**18.2x**	**23.0x**	**18.3x**	**21.3x**	**9.1x**	**7.8x**	**7.5x**	**7.5x**	**6.8%**	**5.4%**	**5.5%**	**5.9%**	**3.2x**	**1.3%**	**46.0%**	**46.4%**

[1]Quebecor Media proportionately consolidated
[2]Estimates are Thomson One consensus. Verizon pro forma consolidation of Verizon Wireless ownership
[3]EV/EBITDA calculated using adjusted EBITDA, which includes pension expense, recurring restructuring costs and capitalized subsidies and excludes non-recurring items
[4]EPS defined as normalized earnings per share after preferred dividends
[5]Free cash flow defined as cash from operations before working capital - capex - preferred dividends

RBCCM acted as a financial advisor to BCE Inc. on a transaction involving Manitoba Telecom Services Inc. that was announced on May 2, 2016. For more details, please refer to Required Conflicts Disclosures.
Sources: Company reports, RBC Capital Markets estimates, Thomson Financial

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 9: Summary of Key Operating and Financial Metrics for our Canadian Telecom Coverage

Segment	Metric	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
WIRELESS	**Blended ARPU ($)**									
	BCE	$53.23	$54.34	$56.39	$57.25	$59.92	$63.09	$65.00	$66.28	$67.27
	Rogers	$62.62	$60.20	$59.79	$59.58	$59.41	$59.71	$59.76	$60.48	$60.73
	TELUS	$57.63	$59.09	$60.38	$61.38	$62.24	$63.45	$64.23	$65.03	$65.03
	Network Revenue Growth (YoY)									
	BCE	9.2%	6.4%	6.5%	5.5%	6.4%	7.6%	3.9%	9.7%	3.2%
	Rogers	5.2%	0.5%	1.8%	0.4%	-0.1%	2.3%	3.6%	2.9%	2.1%
	TELUS	5.0%	8.5%	7.3%	5.1%	6.5%	4.8%	3.0%	2.7%	1.5%
	Network EBITDA Margins (%)									
	BCE	38%	38%	42%	44%	45%	45%	47%	47%	48%
	Rogers	48%	46%	46%	47%	48%	47%	46%	47%	48%
	TELUS	44%	44%	46%	46%	45%	45%	46%	47%	47%
	Capex Intensity (%)									
	BCE	9.8%	11.8%	11.4%	10.9%	10.9%	10.4%	9.9%	11.0%	11.0%
	Rogers	13.4%	16.7%	15.4%	11.9%	13.4%	11.3%	10.3%	11.7%	11.6%
	TELUS	9.2%	9.2%	12.1%	11.5%	12.5%	12.8%	11.6%	10.9%	10.9%
WIRELINE	**Revenue Growth (YoY)**									
	BCE	0.3%	-0.7%	-3.8%	-1.2%	-0.3%	-0.5%	-0.9%	5.7%	0.5%
	Cogeco	11.5%	8.7%	5.4%	3.2%	2.4%	0.6%	0.4%	-0.4%	-1.1%
	Manitoba Telecom	-3.2%	2.2%	-0.2%	0.2%	3.4%	1.7%	1.0%	0.6%	0.5%
	Quebecor	10.0%	7.3%	6.5%	7.2%	1.4%	-1.7%	0.6%	0.6%	0.7%
	Rogers	3.6%	3.9%	1.5%	3.5%	-0.2%	-0.1%	-0.8%	0.3%	0.4%
	Shaw	11.3%	5.7%	3.2%	2.3%	3.0%	0.5%	0.5%	1.9%	2.7%
	TELUS	-2.2%	3.6%	2.9%	3.8%	2.7%	2.7%	3.3%	3.1%	4.3%
	EBITDA Margins (%)									
	BCE	38.7%	39.1%	38.4%	37.6%	40.1%	40.8%	41.7%	42.2%	43.3%
	Cogeco	44.5%	46.9%	48.3%	49.8%	51.1%	51.2%	51.9%	51.4%	51.2%
	Manitoba Telecom	51.8%	50.2%	50.5%	47.9%	47.1%	39.2%	40.6%	40.7%	40.0%
	Quebecor	48.8%	49.9%	50.9%	48.8%	50.4%	50.6%	51.5%	51.1%	50.6%
	Rogers	44.7%	46.8%	47.8%	49.4%	48.0%	47.8%	47.6%	48.1%	48.3%
	Shaw	47.5%	46.9%	44.1%	47.2%	49.2%	45.5%	45.2%	45.6%	45.9%
	TELUS	32.8%	31.2%	28.7%	26.0%	26.6%	25.4%	25.3%	27.8%	28.4%
	Capex Intensity (%)									
	BCE	18.5%	18.6%	21.5%	22.3%	23.5%	22.9%	23.2%	23.0%	23.0%
	Cogeco	29.8%	29.8%	26.3%	18.8%	17.8%	19.6%	19.7%	20.0%	20.0%
	Manitoba Telecom	25.0%	18.9%	22.3%	19.8%	20.9%	17.9%	17.8%	17.8%	18.0%
	Quebecor	22.4%	25.3%	26.1%	16.6%	19.7%	21.6%	21.8%	22.0%	22.8%
	Rogers	19.2%	22.6%	24.8%	31.8%	30.4%	29.7%	29.3%	28.6%	27.6%
	Shaw	25.9%	22.9%	25.4%	26.5%	29.4%	22.3%	22.1%	22.2%	21.7%
	TELUS	25.6%	26.3%	24.2%	25.7%	27.3%	29.3%	30.8%	31.0%	30.6%
MEDIA	**Revenue Growth (%)**									
	BCE	n/a	n/a	41.6%	17.1%	14.9%	1.3%	6.4%	4.8%	3.0%
	Quebecor	1.0%	-0.9%	-3.3%	-8.3%	-2.9%	16.0%	3.9%	-0.1%	0.3%
	Rogers	6.7%	7.3%	0.6%	5.2%	7.2%	13.9%	-3.1%	1.0%	1.0%
	Shaw	-5.7%	0.2%	18.2%	5.0%	-0.9%	-1.5%	0.0%	0.0%	0.0%

Segment	Metric	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
WIRELESS	**Total Wireless Subcribers (000s)**									
	BCE	7,242	7,427	7,681	7,778	8,119	8,246	8,397	9,024	9,170
	Rogers	8,977	9,335	9,437	9,503	9,450	9,877	10,039	10,214	10,347
	TELUS	6,971	7,340	7,670	7,807	8,281	8,457	8,505	8,611	8,706
	Postpaid Wireless Subcribers (000s)									
	BCE	5,541	5,975	6,425	6,678	7,110	7,375	7,603	8,236	8,408
	Rogers	7,325	7,574	7,846	8,074	8,073	8,271	8,413	8,545	8,645
	TELUS	5,705	6,130	6,543	6,751	7,108	7,352	7,451	7,589	7,708
	Postpaid Net Additions (000s)									
	BCE	500	434	457	378	312	265	227	207	171
	Rogers	319	269	268	228	(1)	106	142	132	100
	TELUS	415	425	414	378	357	244	144	138	119
	Postpaid Churn (%)									
	BCE	1.33%	1.47%	1.28%	1.26%	1.22%	1.26%	1.23%	1.20%	1.21%
	Rogers	1.18%	1.32%	1.29%	1.24%	1.27%	1.27%	1.22%	1.21%	1.22%
	TELUS	1.13%	1.31%	1.09%	1.03%	0.93%	0.89%	0.95%	0.95%	0.95%
WIRELINE	**Television Net Additions (000s)**									
	BCE	71	68	69	122	153	107	70	68	65
	Cogeco	10	3	(15)	(28)	(38)	(32)	(30)	(31)	(31)
	Manitoba Telecom	3	6	2	8	3	(2)	1	1	1
	Quebecor	35	50	(7)	(30)	(43)	(45)	(52)	(47)	(44)
	Rogers	4	(14)	(83)	(127)	(103)	(128)	(96)	(86)	(78)
	Shaw	7	(48)	(70)	(116)	(106)	(153)	(137)	(100)	(85)
	TELUS	144	196	170	137	101	89	65	52	42
	Telephony Net Additions (000s)									
	BCE	(386)	(374)	(457)	(402)	(465)	(438)	(420)	(420)	(392)
	Cogeco	76	61	53	13	(15)	(13)	(15)	(20)	(20)
	Manitoba Telecom	(27)	(20)	(27)	(20)	(16)	(24)	(30)	(29)	(28)
	Quebecor	100	91	60	21	(7)	(33)	(52)	(55)	(55)
	Rogers	(12)	(1)	23	42	(3)	(60)	(48)	(50)	(50)
	Shaw	237	137	131	53	15	(63)	(51)	(24)	(20)
	TELUS	(227)	(146)	(188)	(151)	(85)	(116)	(95)	(95)	(95)
	Internet Net Additions (000s)									
	BCE	6	(17)	1	29	160	155	112	112	106
	Cogeco	44	42	33	16	18	25	29	27	26
	Manitoba Telecom	(2)	(1)	1	12	8	3	9	7	6
	Quebecor	82	80	55	31	18	31	44	42	38
	Rogers	64	83	73	63	50	37	61	55	49
	Shaw	110	54	35	28	40	22	9	22	26
	TELUS	14	57	74	61	74	86	58	53	44
MEDIA	**EBITDA Margins (%)**									
	BCE	0.0%	21.7%	25.7%	26.7%	25.0%	24.3%	24.0%	24.1%	23.8%
	Quebecor	18.6%	13.9%	10.8%	11.4%	6.7%	7.6%	4.8%	5.6%	5.6%
	Rogers	9.8%	11.2%	11.7%	9.4%	7.2%	8.3%	6.7%	6.7%	6.7%
	Shaw	29.6%	28.2%	31.5%	31.9%	32.2%	31.7%	0.0%	0.0%	0.0%

Notes (i) Effective 2015, Manitoba Telecom wireline revenue growth and EBITDA margins are consistent with new disclosure. Prior to 2015, numbers are for MTS. Manitoba Telecom capex intensity includes wireless; (ii) Cogeco data for Canadian Cable Services only; (iii) Shaw wireline capex comprises Consumer & Business Network Services; (iv) Segmented capex intensity excludes spectrum and is calculated as a percentage of total segmented revenue; and (v) BCE 2014 figures restated to include Bell Aliant in Bell segmented results and operating metrics.

Sources: Company reports, RBC Capital Markets estimates

Exhibit 10: Income Statement Summary

Shaw Communications Income Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	'14-'17E CAGR
Revenue													
Consumer	3,768	3,752	943	934	935	931	3,743	968	939	942	937	3,786	
Business Network Services	484	520	136	137	136	139	548	143	146	147	150	586	
Business Infrastructure Services	-	246	73	89	86	91	339	94	94	97	101	386	
Wireless	-	-	-	-	132	151	283	158	150	154	178	639	
Media	1,096	1,080	294	-	-	-	294	-	-	-	-	-	
Intersegment	(104)	(110)	(27)	(9)	(6)	(6)	(48)	(6)	(10)	(6)	(6)	(28)	
Total	**5,235**	**5,488**	**1,419**	**1,151**	**1,283**	**1,307**	**5,160**	**1,357**	**1,319**	**1,334**	**1,359**	**5,369**	**0.8%**
EBITDA[1]													
Consumer	1,669	1,685	419	403	427	425	1,674	442	405	432	428	1,706	
Business Network Services	240	256	64	66	66	68	264	70	72	72	74	287	
Business Infrastructure Services	86	95	25	33	33	35	126	37	37	38	39	151	
Wireless	-	-	-	-	29	33	62	36	35	35	41	147	
Media	353	342	118	-	-	-	118	-	-	-	-	-	
Total	**2,348**	**2,378**	**626**	**502**	**555**	**561**	**2,244**	**585**	**548**	**577**	**581**	**2,291**	**-0.8%**
Depreciation & Amortization	(765)	(895)	(230)	(231)	(250)	(250)	(961)	(251)	(253)	(254)	(255)	(1,013)	
EBIT	**1,583**	**1,483**	**396**	**271**	**305**	**311**	**1,283**	**333**	**295**	**323**	**326**	**1,278**	**-6.9%**
Financial Expense and Other	(379)	(291)	(78)	(92)	(205)	(71)	(350)	(71)	(71)	(71)	(71)	(286)	
EBT	1,204	1,192	318	179	100	240	933	262	224	252	255	993	-6.2%
Income Tax	(308)	(294)	(82)	(44)	(17)	(65)	(208)	(69)	(59)	(67)	(68)	(263)	
Non-controlling Interests	(30)	(24)	(9)	(8)	-	-	(17)	-	-	-	-	-	
Preferred Dividends	(13)	(13)	(3)	(3)	(4)	(4)	(14)	(3)	(3)	(4)	(4)	(14)	
Equity Income/(Loss)	-	(56)	(18)	(19)	(25)	(2)	(64)	24	(3)	22	4	47	
Net Income from Continuing Operations	**853**	**805**	**206**	**105**	**54**	**169**	**630**	**213**	**159**	**203**	**187**	**762**	**-3.7%**
Adjusted EPS	**$1.88**	**$1.85**	**$0.43**	**$0.22**	**$0.29**	**$0.35**	**$1.31**	**$0.44**	**$0.33**	**$0.42**	**$0.38**	**$1.57**	**-6.0%**
Weighted Average Shares Outstanding (MM)	457	468	481	477	482	484	482	485	487	488	489	487	

YoY Growth	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Revenue												
Consumer	-	-0.4%	1.7%	-0.3%	-1.6%	-0.7%	-0.2%	2.7%	0.5%	0.8%	0.6%	1.1%
Business Network Services	-	7.4%	7.1%	6.2%	3.8%	4.6%	5.4%	5.1%	6.6%	7.8%	7.9%	6.9%
Business Infrastructure Services	-	-	32.7%	48.3%	36.5%	34.4%	38.0%	29.3%	5.6%	12.9%	10.0%	13.7%
Wireless	-	-	-	-	-	-	-	-	-	16.4%	18.0%	126.2%
Media	-0.9%	-1.5%	-4.2%	-100.0%	-100.0%	-100.0%	-72.8%	-100.0%	-	-	-	-100.0%
	1.8%	**4.8%**	**2.2%**	**-17.4%**	**-9.6%**	**-2.7%**	**-6.0%**	**-4.4%**	**14.6%**	**4.0%**	**4.0%**	**4.1%**
EBITDA[1]												
Consumer	-	1.0%	3.5%	-1.2%	-2.5%	-2.1%	-0.7%	5.4%	0.5%	1.1%	0.6%	1.9%
Business Network Services	-	6.7%	4.9%	1.5%	4.8%	1.8%	3.2%	9.4%	8.4%	8.9%	7.9%	8.6%
Business Infrastructure Services	-	-	19.0%	32.0%	32.0%	44.7%	32.3%	47.3%	11.1%	14.8%	12.9%	19.7%
Wireless	-	-	-	-	-	-	-	-	-	21.9%	23.4%	136.6%
Media	0.0%	-3.1%	-0.8%	-	-100.0%	-100.0%	-65.5%	-100.0%	-	-	-	-100.0%
	5.8%	**1.3%**	**3.3%**	**0.8%**	**-13.7%**	**-2.1%**	**-5.6%**	**-6.6%**	**9.2%**	**3.9%**	**3.6%**	**2.1%**
EBIT	**15.9%**	**-6.3%**	**2.6%**	**0.0%**	**-27.6%**	**-10.4%**	**-13.5%**	**-15.8%**	**9.0%**	**5.9%**	**4.9%**	**-0.4%**
Net Income from Continuing Operations	**16.4%**	**-5.6%**	**-4.6%**	**5.0%**	**-66.7%**	**-37.2%**	**-21.7%**	**3.6%**	**51.4%**	**275.5%**	**10.9%**	**21.0%**
Adjusted EPS	**19.6%**	**-1.7%**	**-8.2%**	**-18.7%**	**-29.8%**	**-39.0%**	**-29.4%**	**2.6%**	**48.4%**	**41.6%**	**9.8%**	**19.7%**

Margins (% Revenue)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
EBITDA												
Consumer	44.3%	44.9%	44.4%	43.1%	45.7%	45.6%	44.7%	45.6%	43.2%	45.8%	45.7%	45.1%
Business Network Services	49.6%	49.2%	47.1%	48.2%	48.5%	49.0%	48.2%	49.0%	49.0%	49.0%	49.0%	49.0%
Business Infrastructure Services	-	38.6%	34.2%	37.1%	38.4%	38.0%	37.0%	39.0%	39.0%	39.0%	39.0%	39.0%
Wireless	-	-	-	-	22.0%	22.0%	22.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Media	32.2%	31.7%	40.1%	-	-	-	40.1%	-	-	-	-	-
	44.8%	**43.3%**	**44.1%**	**43.6%**	**43.3%**	**42.9%**	**43.5%**	**43.1%**	**41.5%**	**43.3%**	**42.8%**	**42.7%**
EBIT	**30.2%**	**27.0%**	**27.9%**	**23.5%**	**23.8%**	**23.8%**	**24.9%**	**24.6%**	**22.4%**	**24.2%**	**24.0%**	**23.8%**
Net Income from Continuing Operations	**16.3%**	**14.7%**	**14.5%**	**9.1%**	**4.2%**	**12.9%**	**12.2%**	**15.7%**	**12.0%**	**15.2%**	**13.8%**	**14.2%**

[1]Consolidated EBITDA excludes wireless

Sources: Company reports, RBC Capital Markets estimates

Exhibit 11: Cash Flow and Balance Sheet

Shaw Communications Cash Flow Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Net Inc/(Dec) in Cash & Equivalents												
Cash flow from operating activities	1,740	1,540	304	477	427	217	1,425	373	682	401	293	1,749
Cash flow from investing activities	(1,029)	(1,904)	(324)	(535)	(65)	(429)	(1,353)	(375)	(365)	(367)	(365)	(1,470)
Cash flow from financing activities	(496)	124	(95)	172	(435)	(101)	(459)	(101)	(101)	(102)	(102)	(406)
	215	**(240)**	**(115)**	**114**	**(73)**	**(312)**	**(386)**	**(102)**	**217**	**(68)**	**(174)**	**(127)**
Ending Cash & Equivalents												
Beginning cash & equivalents	422	637	398	283	357	324	398	12	(91)	126	59	12
Net inc/(dec) in cash & equivalents	215	(240)	(115)	114	(73)	(312)	(386)	(102)	217	(68)	(174)	(127)
Effect of currency translation / other	-	1	-	(40)	40	-	-	-	-	-	-	-
	637	**398**	**283**	**357**	**324**	**12**	**12**	**(91)**	**126**	**59**	**(115)**	**(115)**

Free Cash Flow Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Free Cash Flow												
Cash from operations before working capital	1,524	1,637	406	363	403	361	1,533	442	415	436	440	1,733
Less: capex and equipment subsidies	(911)	(1,044)	(270)	(293)	(306)	(410)	(1,279)	(351)	(346)	(347)	(346)	(1,388)
Less: preferred dividends	(13)	(13)	(3)	(3)	(4)	(4)	(14)	(3)	(3)	(4)	(4)	(14)
Free Cash Flow	**600**	**580**	**133**	**67**	**93**	**(53)**	**240**	**89**	**66**	**86**	**90**	**331**
Less: dividends	(339)	(369)	(95)	(95)	(96)	(97)	(383)	(98)	(98)	(98)	(98)	(392)
Free Cash Flow (Post-Dividends)	**261**	**211**	**38**	**(28)**	**(3)**	**(150)**	**(143)**	**(9)**	**(32)**	**(13)**	**(8)**	**(61)**
FCF Per Share (Pre-Dividends)	**$1.31**	**$1.24**	**$0.28**	**$0.14**	**$0.19**	**($0.11)**	**$0.50**	**$0.18**	**$0.14**	**$0.18**	**$0.18**	**$0.68**

Balance Sheet Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Assets												
Current Assets	1,359	1,023	967	3,378	807	670	670	607	619	555	564	564
Fixed and Other Assets	11,891	13,541	13,607	11,615	14,267	14,444	14,444	14,591	14,700	14,835	14,948	14,948
Total Assets	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,114**	**15,114**	**15,198**	**15,319**	**15,390**	**15,512**	**15,512**
Liabilities and Shareholders' Equity												
Liabilities	8,548	9,155	9,030	9,392	8,824	8,796	8,796	8,767	8,830	8,800	8,838	8,838
Shareholders' Equity	4,702	5,409	5,544	5,601	6,250	6,318	6,318	6,431	6,489	6,589	6,674	6,674
Total Liabilities and Shareholders' Equity	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,114**	**15,114**	**15,198**	**15,319**	**15,390**	**15,512**	**15,512**

Net Debt Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Net Debt												
Bank indebtedness	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	608	608	303	407	407	407	407	407	407	407	407
FX swap	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	4,690	5,061	5,075	5,656	5,193	5,193	5,193	5,193	5,193	5,193	5,193	5,193
Preferred shares	300	300	300	300	300	300	300	300	300	300	300	300
Less: cash & equivalents	(637)	(398)	(283)	(357)	(324)	(12)	(12)	91	(126)	(59)	115	115
	4,353	**5,571**	**5,700**	**5,902**	**5,576**	**5,888**	**5,888**	**5,991**	**5,774**	**5,841**	**6,015**	**6,015**

Sources: Company reports, RBC Capital Markets estimates

Exhibit 12: Summary of Financial Ratios

Shaw Communications Financial Ratios Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E
Dividend per Common Share	**$1.07**	**$1.16**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**
YoY	7.6%	8.3%	6.7%	6.7%	1.3%	1.3%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%
% EPS from continuing operations	56.6%	62.4%	70.0%	136.3%	102.2%	86.0%	91.8%	68.3%	91.8%	72.2%	78.3%	76.7%
% Free cash flow[1]	81.3%	93.3%	108.5%	213.6%	155.5%	-	240.6%	163.9%	220.4%	171.1%	162.6%	176.7%
Book Value per Share												
Total shareholders' equity	4,702	5,409	5,544	5,601	6,250	6,318	6,318	6,431	6,489	6,589	6,674	6,674
Shares outstanding (MM)	462	474	488	478	484	485	485	486	487	488	489	489
	$10.18	**$11.41**	**$11.36**	**$11.71**	**$12.93**	**$13.03**	**$13.03**	**$13.23**	**$13.32**	**$13.49**	**$13.64**	**$13.64**
YoY	10.2%	12.2%	8.1%	9.2%	17.7%	14.2%	14.2%					
Net Debt / LTM EBITDA[2, 3]												
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,888	5,888	5,991	5,774	5,841	6,015	6,015
LTM EBITDA[3]	2,262	2,378	2,340	2,344	2,256	2,244	2,244	2,203	2,249	2,270	2,291	2,291
	1.92x	**2.34x**	**2.44x**	**2.52x**	**2.47x**	**2.62x**	**2.62x**	**2.72x**	**2.57x**	**2.57x**	**2.63x**	**2.63x**
Net Debt / Total Capitalization[2, 4]												
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,888	5,888	5,991	5,774	5,841	6,015	6,015
Total capitalization[4]	9,055	10,980	11,244	11,503	11,826	12,206	12,206	12,421	12,262	12,431	12,690	12,690
	48.1%	**50.7%**	**50.7%**	**51.3%**	**47.2%**	**48.2%**	**48.2%**	**48.2%**	**47.1%**	**47.0%**	**47.4%**	**47.4%**
Capex Intensity												
Capex[5]	1,060	1,018	295	248	281	410	1,234	351	346	347	346	1,388
Revenue	5,235	5,488	1,419	1,151	1,283	1,307	5,160	1,357	1,319	1,334	1,359	5,369
	20.2%	**18.5%**	**20.8%**	**21.5%**	**21.9%**	**31.3%**	**23.9%**	**25.8%**	**26.2%**	**26.0%**	**25.4%**	**25.9%**
Free Cash Flow / EBITDA[1, 3]												
Free cash flow[1]	600	580	133	67	93	(53)	240	89	66	86	90	331
EBITDA[3]	2,348	2,378	626	502	555	561	2,244	585	548	577	581	2,291
	25.6%	**24.4%**	**21.2%**	**13.3%**	**16.8%**	**-9.4%**	**10.7%**	**15.2%**	**12.1%**	**14.8%**	**15.5%**	**14.4%**
Effective Tax Rate												
Income tax	308	294	82	44	17	65	208	69	59	67	68	263
EBT	1,204	1,192	318	179	100	240	933	262	224	252	255	993
	25.6%	**24.7%**	**25.8%**	**24.6%**	**17.0%**	**27.0%**	**22.3%**	**26.5%**	**26.5%**	**26.5%**	**26.5%**	**26.5%**
ROE[6]	**19.2%**	**15.9%**					**10.7%**					**8.9%**
ROIC[7]	**12.4%**	**11.2%**					**8.4%**					**7.5%**

[1]Free Cash Flow (FCF) defined as cash from operations before changes in non-cash WC - capex and equipment subsidies - preferred dividends
[2]Net Debt defined as current portion of long-term debt + fx swap + long-term debt + preferred shares - cash & equivalents
[3]Consolidated EBITDA excludes wireless
[4]Total Capitalization defined as net debt + shareholders' equity
[5]Capex includes additions to PPE
[6]ROE defined as (net income from continuing operations) / (average shareholders' equity)
[7]ROIC defined as (EBIT*(1-T)) / (average total capital)

Sources: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 13: Summary of Key Operating Metrics

Shaw Communications Operating Metrics (000s Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16E	2016E	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	'14-'17E CAGR
Homes Passed	4,095	4,175	4,195	4,215	4,235	4,255	4,255	4,275	4,295	4,315	4,335	4,335	1.9%
Cable	1,958	1,842	1,821	1,801	1,781	1,761	1,761	1,740	1,720	1,700	1,680	1,680	-5.0%
Consumer	1,867	1,765	1,746	1,721	1,693	1,663	1,663	1,649	1,628	1,608	1,584	1,584	
Business	90	78	75	61	63	61	61	59	57	55	53	53	
Internet	1,930	1,953	1,961	1,964	1,955	1,961	1,961	1,972	1,978	1,977	1,983	1,983	0.9%
Consumer	1,762	1,772	1,782	1,786	1,777	1,782	1,782	1,792	1,797	1,795	1,800	1,800	
Business	169	180	179	178	178	179	179	180	181	182	183	183	
Satellite	881	843	831	827	828	824	824	815	811	816	812	812	-2.7%
Consumer	850	812	799	793	797	792	792	782	777	781	776	776	
Business	30	31	32	34	31	32	32	33	34	35	36	36	
Telephony	1,375	1,312	1,292	1,281	1,271	1,261	1,261	1,254	1,247	1,242	1,237	1,237	-3.5%
Consumer	1,111	1,027	1,005	991	976	961	961	951	941	931	921	921	
Business	265	285	287	290	295	300	300	303	306	311	316	316	
Wireless	-	938	940	980	1,003	1,028	1,059	1,089	1,119	1,149	1,179	1,179	
Subscribers (YoY Growth)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16E**	**2016E**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	
Homes Passed	2.2%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	
Cable	-4.0%	-5.9%	-6.2%	-5.5%	-5.3%	-4.4%	-4.4%	-4.4%	-4.5%	-4.5%	-4.6%	-4.6%	
Consumer		-5.5%	-5.9%	-5.6%	-5.8%	-5.7%	-5.7%	-5.6%	-5.4%	-5.0%	-4.8%	-4.8%	
Business		-14.0%	-13.6%	-27.2%	-24.6%	-21.8%	-21.8%	-21.5%	-7.4%	-12.7%	-13.2%	-13.2%	
Internet	2.1%	1.1%	0.8%	1.1%	0.3%	0.5%	0.5%	0.6%	0.7%	1.1%	1.1%	1.1%	
Consumer		0.6%	0.5%	1.0%	0.2%	0.6%	0.6%	0.6%	0.6%	1.0%	1.0%	1.0%	
Business		7.0%	4.7%	2.2%	1.4%	-0.6%	-0.6%	0.5%	1.9%	2.2%	2.2%	2.2%	
Satellite	-2.5%	-4.2%	-3.7%	-3.2%	-2.7%	-2.3%	-2.3%	-1.9%	-1.9%	-1.5%	-1.5%	-1.5%	
Consumer		-4.5%	-3.9%	-3.4%	-2.8%	-2.5%	-2.5%	-2.1%	-2.0%	-2.0%	-2.0%	-2.0%	
Business		3.1%	2.8%	2.5%	-0.6%	3.2%	3.2%	5.4%	0.8%	12.7%	12.3%	12.3%	
Telephony	1.1%	-4.6%	-6.0%	-6.0%	-5.3%	-3.9%	-3.9%	-3.0%	-2.7%	-2.3%	-1.9%	-1.9%	
Consumer		-7.5%	-9.0%	-9.0%	-8.1%	-6.5%	-6.5%	-5.4%	-5.0%	-4.6%	-4.2%	-4.2%	
Business		7.6%	6.5%	5.9%	5.5%	5.5%	5.5%	5.5%	5.4%	5.3%	5.2%	5.2%	
Wireless	-	-	-	-	-	9.6%	12.9%	15.9%	14.2%	14.5%	14.6%	11.3%	
Penetration Rates (% Homes Passed)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16E**	**2016E**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	
Cable	47.8%	44.1%	43.4%	42.7%	42.1%	41.4%	41.4%	40.7%	40.1%	39.4%	38.8%	38.8%	
Internet	47.1%	46.8%	46.7%	46.6%	46.2%	46.1%	46.1%	46.1%	46.1%	45.8%	45.7%	45.7%	
Satellite	21.5%	20.2%	19.8%	19.6%	19.6%	19.4%	19.4%	19.1%	18.9%	18.9%	18.7%	18.7%	
Telephony	33.6%	31.4%	30.8%	30.4%	30.0%	29.6%	29.6%	29.3%	29.0%	28.8%	28.5%	28.5%	
Net Additions	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16E**	**2016E**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	
Homes Passed	87	80	20	20	20	20	80	20	20	20	20	80	
Cable	(83)	(115)	(21)	(39)	(26)	(32)	(118)	(16)	(23)	(22)	(26)	(87)	
Consumer		(103)	(18)	(26)	(27)	(30)	(101)	(14)	(21)	(20)	(24)	(79)	
Business Network Services		(13)	(3)	(14)	1	(2)	(17)	(2)	(2)	(2)	(2)	(8)	
Internet	40	22	8	3	(8)	6	9	11	6	(2)	6	22	
Consumer		12	9	4	(9)	5	10	10	5	(3)	5	18	
Business Network Services		10	(1)	(2)	0	1	(1)	1	1	1	1	4	
Satellite	(23)	(37)	(13)	(4)	1	(4)	(19)	(9)	(4)	5	(4)	(12)	
Consumer		(38)	(13)	(6)	4	(5)	(20)	(10)	(5)	4	(5)	(16)	
Business Network Services		1	0	2	(3)	1	1	1	1	1	1	4	
Telephony	15	(63)	(20)	(11)	(10)	(10)	(51)	(8)	(7)	(5)	(5)	(24)	
Consumer		(83)	(22)	(14)	(15)	(15)	(67)	(10)	(10)	(10)	(10)	(40)	
Business Network Services		20	2	3	5	5	16	2	3	5	5	16	
Wireless	-	169	33	40	24	25	121	30	30	30	30	120	
ARPU	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16E**	**2016E**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	
Blended Consumer ARPU	$55.64	$57.02	$58.71	$58.62	$59.18	$59.47	$59.00	$62.23	$60.67	$61.25	$61.26	$61.39	3.3%
Blended Business ARPU	$77.01	$76.82	$79.03	$80.36	$80.14	$81.33	$79.65	$82.98	$84.37	$84.15	$85.40	$84.06	3.0%
Blended Wireless ARPU	$31.42	$34.99	$38.46	$38.32	$36.30	$36.17	$37.31	$39.62	$39.47	$37.39	$37.25	$38.43	6.9%

Sources: Company reports, RBC Capital Markets estimates

Valuation

Our one-year price target of $25.00 and Sector Perform rating for Shaw is based on the average of three approaches: (1) applying a 14.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 6.5x, 8.0x, 9.0x and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest and wireless, respectively; and (3) discounted FCF through F2020E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment. Our price target supports a Sector Perform rating.

Price target impediments

Impediments to the shares reaching our one-year price target and rating are: 1) greater than expected wireless capex and/or the inability to execute on wireless; 2) greater-than-expected market share gains from the rollout of TELUS Optik TV and TELUS Optik Internet across the Shaw cable footprint; 3) the inability to realize additional annual cost savings to maintain cable margins; 4) greater-than-expected telephony and television substitution; and 5) the emergence of irrational pricing in the residential telephony, television, and/or Internet markets

Company description

Shaw Communications is one of Canada's largest telecom operators with approximately 1.9 million cable subscribers, 2.0 million Internet subscribers and 1.4 million telephony subscribers in Western Canada, and approximately 850k satellite subscribers. In September 2014, Shaw acquired Denver-based data services provider ViaWest. In December 2015, Shaw announced the proposed acquisition of WIND.

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RBC Capital Markets, Equity Research
As of 30-Jun-2016

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
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HOLD [Sector Perform]	**741**	**42.64**	**129**	**17.41**
SELL [Underperform]	**119**	**6.85**	**10**	**8.40**

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EQUITY RESEARCH

RBC Capital Markets

RBC Dominion Securities Inc.
Drew McReynolds, CFA, CA (Analyst)
(416) 842-3805
drew.mcreynolds@rbccm.com

Jeffrey Lau, CFA (Senior Associate)
(416) 842-4123
jeffrey.lau@rbccm.com

Sector: Telecommunications & Wireless

January 9, 2017

Shaw Communications Inc.

Upgrading to Outperform

Our view: We are upgrading Shaw from Sector Perform to Outperform and increasing our price target from $26 to $29. For more detail, please see our 2017 outlook and Q4/16 preview report published this morning.

Key points:

- **Upside versus downside trade-off looks compelling in an intensifying competitive environment.** In a maturing Canadian telecom industry, we see the potential for sustained high-single digit NAV growth driven by wireless, as well as improved wireline performance in F2017 and F2018 with X1 and 1 Gbps Internet deployments. This renewed Shaw growth story will not be without its challenges, including execution, managing heavy wireless capex requirements and facing a very strong wireline competitor in TELUS in Western Canada. Nevertheless, in our view, the potential upside in a wireless/wireline bull case scenario (i.e., wireless and X1 traction, a 600 MHz set-aside) handily outweighs the downside in a bear case scenario (i.e., minimal traction, no 600 MHz set-aside) and looks compelling relative to large-cap peers. Furthermore, assuming a reasonable degree of execution on wireless and X1 deployment in F2017 and F2018, we see little risk to the stock's long-standing premium valuation (FTM EV/EBITDA of 8.2x versus the group average of 7.3x). Lastly, other industry developments that could turn out in Shaw's relative favour include: (i) a stronger and/or earlier than expected recovery in Alberta; (ii) Manitoba wireless assets and/or a "path to entry" into the Manitoba wireless market at a reasonable cost that could result from BCE's proposed acquisition of Manitoba Telecom (alternatively, a higher takeout premium in the stock could emerge should government wireless concentration policy be relaxed); (iii) a more negative than expected regulatory outcome around wireless and wireline wholesale access rates; and (iv) higher than expected proceeds on a potential sale of ViaWest should ViaWest become a source of funds.
- **Increasing price target from $26 to $29.** We have made changes to our forecast mainly to reflect: (i) lower basic cable subscriber losses and higher ARPU growth within Consumer; (ii) higher Internet net additions; and (iii) updated FX assumptions. Following our estimate revisions, a rolling forward the basis of our valuation and an increase in our target multiples (i.e., target EV/EBITDA multiple on Consumer from 6.5x to 7.0x, Business Network Services from 8.0x to 8.5x and our target P/E multiple from 15.0x to 16.0x), our price target increases from $26 to $29. The increase in our target multiples better aligns Shaw with large-cap peers, and in addition reflects: (i) our higher growth expectations due to wireless and X1; and (ii) an improving relative risk profile given Shaw's strengthening competitive position in what is an increasingly competitive intense and maturing Canadian telecom market.
- **For more detail, please see our 2017 outlook and Q4 preview report published this morning.**

Outperform (prev: Sector Perform)

TSX: SJR.B; CAD 27.26; NYSE: SJR

Price Target CAD 29.00 ↑ 26.00

WHAT'S INSIDE	
☑ Rating/Risk Change	☑ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☐ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
25.00	27.26	29.00	32.00
↓ 4%		↑ 10%	↑ 21%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	461.0	Market Cap (MM):	12,567
Dividend:	1.10	Yield:	4.0%
		Enterprise Val. (MM):	20,000
		Avg. Daily Volume:	1,544,570

Strategic Ownership: Shaw Family (12% equity; 79% voting)

RBC Estimates

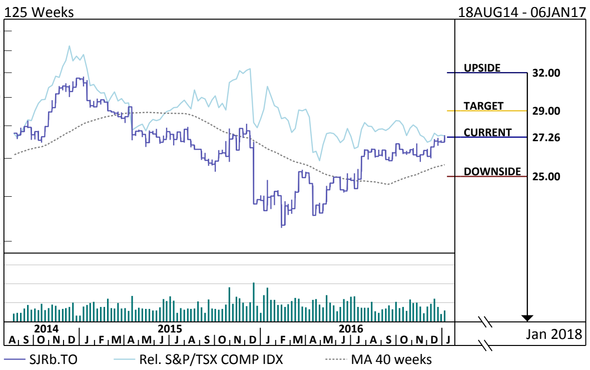
FY Aug	2015A	2016A	2017E	2018E
Revenue	5,488.0	4,884.0	5,364.0	5,672.0
Prev.			5,346.0	5,657.0
EPS, Adj Basic	1.85	1.25	1.47	1.67
Prev.				1.66
P/AEPS	14.7x	21.8x	18.5x	16.3x
EBITDA	2,379.0	2,114.0	2,194.0	2,348.0
Prev.			2,192.0	2,339.0

Revenue	Q1	Q2	Q3	Q4
2016	1,419.0A	1,151.0A	1,283.0A	1,306.0A
2017	1,340.0E	1,332.0E	1,333.0E	1,360.0E
Prev.	1,337.0E	1,320.0E	1,331.0E	1,358.0E
EPS, Adj Basic				
2016	0.43A	0.22A	0.29A	0.29A
2017	0.40E	0.32E	0.40E	0.35E
Prev.	0.41E	0.31E		

All values in CAD unless otherwise noted.

Target/Upside/Downside Scenarios

Exhibit 1: Shaw Communications Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/base case

Our one-year price target of $29.00 and Outperform rating for Shaw is based on the average of three approaches: (1) applying a 16.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 7.0x, 8.5x, 9.0x and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest and wireless, respectively; and (3) discounted FCF through F2023E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment.

Upside scenario

Our upside scenario translates to a $32 value. This scenario assumes greater RGU growth, more robust cable ARPU growth, better than expected wireless ARPU and subscriber growth, and a faster re-acceleration in Business Network Services and ViaWest revenue growth.

Downside scenario

Our downside scenario translates to a $25 value. This scenario assumes continued deterioration in the RGU base combined with modest cable ARPU growth, a prolonged wireless drag on FCF and minimal re-acceleration in Business Network Services and ViaWest revenue growth.

Investment summary

In a maturing Canadian telecom industry, we see the potential for sustained high-single digit NAV growth driven by wireless, as well as improved wireline performance in F2017 and F2018 with X1 and 1 Gbps Internet deployments. This renewed Shaw growth story will not be without its challenges, including execution, managing heavy wireless capex requirements and facing a very strong wireline competitor in TELUS in Western Canada. Nevertheless, in our view, the potential upside in a wireless/wireline bull case scenario (i.e., wireless and X1 traction, a 600 MHz set-aside) handily outweighs the downside in a bear case scenario (i.e., minimal traction, no 600 MHz set-aside) and looks compelling relative to large-cap peers. Furthermore, assuming a reasonable degree of execution on wireless and X1 deployment in F2017 and F2018, we see little risk to the stock's long-standing premium valuation (FTM EV/EBITDA of 8.2x versus the group average of 7.3x). Lastly, other industry developments that could turn out in Shaw's relative favour include: (i) a stronger and/or earlier than expected recovery in Alberta; (ii) Manitoba wireless assets and/or a "path to entry" into the Manitoba wireless market at a reasonable cost that could result from BCE's proposed acquisition of Manitoba Telecom (alternatively, a higher takeout premium in the stock could emerge should government wireless concentration policy be relaxed); (iii) a more negative than expected regulatory outcome around wireless and wireline wholesale access rates; and (iv) higher than expected proceeds on a potential sale of ViaWest should ViaWest become a source of funds.

Potential catalysts for the stock:

- Easing of IPTV market share gains resulting in fewer cable subscriber losses
- Better than expected X1 traction
- An eventual easing of wireless capex intensity and steady wireless growth
- Launch of a Shaw branded wireless brand and/or increased premium handset availability
- Incremental WiFi, Internet, and business market monetization longer-term

Potential risks for the stock:

- Greater than expected wireless capex and/or the inability to execute on wireless
- Greater-than-expected market share gains from the rollout of TELUS Optik TV and Internet
- The inability to realize additional annual cost savings to maintain cable margins
- Greater-than-expected telephony and television substitution
- The emergence of irrational pricing in the residential telephony, television, and/or Internet markets

Exhibit 2: Summary of Changes to Our Forecast

Shaw Communications			F2017E		F2017E RBC Capital Markets			F2018E	F2018E RBC Capital Markets		
RBC Capital Markets Estimate Revisions	F2016	YoY Δ	Guidance [3]	Consensus [4]	Previous	New	YoY Δ	Consensus [4]	Previous	New	YoY Δ
Financial Forecasts ($MM)											
Revenue											
Consumer	3,750	-0.1%			3,776	3,787	1.0%		3,868	3,874	2.3%
Business Network Services	549	5.6%			589	586	6.8%		643	638	8.8%
Business Infrastructure Services	334	35.8%			381	375	12.3%		415	409	9.0%
Media	-	-									
Wireless	280	-			628	644	nmf		759	779	21.0%
Intersegment Eliminations	(30)	-			(28)	(28)	-		(28)	(28)	-
	4,884	**8.9%**		5,306	**5,346**	**5,364**	**9.8%**	5,485	**5,657**	**5,672**	**5.7%**
EBITDA											
Consumer	1,667	-1.1%			1,625	1,629	-2.3%		1,685	1,694	4.0%
Business Network Services	266	3.9%			295	293	10.2%		321	319	8.8%
Business Infrastructure Services	123	29.5%			144	142	15.2%		162	160	12.5%
Wireless	58	-			129	131	nmf		171	175	33.7%
	2,114	**3.8%**	"$2,125MM to $2,175MM"	2,170	**2,192**	**2,194**	**3.8%**	2,245	**2,339**	**2,348**	**7.0%**
EBITDA Margins											
Consumer	44.5%	-46bps			43.0%	43.0%	-145bps		43.6%	43.7%	72bps
Business Network Services	48.5%	-78bps			50.0%	50.0%	155bps		50.0%	50.0%	0bps
Business Infrastructure Services	36.8%	-179bps			37.8%	37.8%	95bps		39.0%	39.0%	123bps
Wireless	20.7%	-			20.5%	20.4%	nmf		22.5%	22.5%	213bps
	43.3%	**-210bps**		40.9%	**41.0%**	**40.9%**	**-238bps**	40.9%	**41.3%**	**41.4%**	**48bps**
Adjusted EPS	**$1.25**	**-32.4%**		$1.28	**$1.47**	**$1.47**	**17.4%**	$1.39	**$1.66**	**$1.67**	**13.9%**
Capex[1]	**1,192**	**22.6%**	$1,300MM	1,295	**1,304**	**1,302**	**9.2%**	1,191	**1,242**	**1,243**	**-4.5%**
% revenue	24.4%	274bps		24.4%	24.4%	24.3%	-14bps	21.7%	22.0%	21.9%	-235bps
FCF	**484**	**-25.9%**	"exceeding $400MM"	406	**452**	**456**	**-5.9%**	555	**649**	**655**	**43.8%**
Net Debt[2]	**5,507**	**-1.1%**			**5,671**	**5,666**	**2.9%**		**5,562**	**5,558**	**-1.9%**
Net Debt/EBITDA[2]	2.5x	0.12x			2.6x	2.6x	0.11x		2.4x	2.4x	-0.21x
Operating Forecasts (000s)											
Consumer											
Cable Subscribers	1,671	-5.3%			1,598	1,600	-4.2%		1,539	1,547	-3.3%
Net Additions	(93)	-			(73)	(71)	-		(59)	(53)	-
Internet Subscribers	1,788	0.9%			1,810	1,820	1.8%		1,830	1,849	1.6%
Net Additions	15	22.9%			23	33	111.7%		20	29	-10.0%
Telephony Subscribers	957	-6.9%			917	897	-6.3%		877	837	-6.7%
Net Additions	(71)	-			(40)	(60)	-		(40)	(60)	-
Satellite Subscribers	791	-2.6%			773	773	-2.2%		756	756	-2.3%
Net Additions	(21)	-			(17)	(17)	-		(17)	(17)	-
Wireless Subscribers	1,043	-			1,183	1,188	13.9%		1,383	1,388	16.8%
Net Additions	136	-			140	145	6.8%		200	200	37.9%
Business Network Services											
Cable Subscribers	61	-21.3%			53	53	-13.1%		49	49	-7.5%
Net Additions	(17)	-			(8)	(8)	-		(4)	(4)	-
Internet Subscribers	180	-0.2%			188	188	4.4%		198	200	6.7%
Net Additions	(0)	-			8	8	-		10	13	56.3%
Telephony Subscribers	301	5.8%			318	318	5.5%		338	338	6.3%
Net Additions	17	-17.9%			17	17	0.0%		20	20	20.9%
Satellite Subscribers	31	-1.4%			35	29	-6.5%		34	28	-3.4%
Net Additions	(0)	-			4	(2)	-		(1)	(1)	-

[1]Capex and FCF defined as per company guidance; FCF includes Corus dividends
[2]Net debt defined as current portion of long-term debt + long-term debt + preferred shares - cash & equivalents
[3]EBITDA growth guidance includes wireless and excludes media; Capex guidance includes wireless
[4]Company-compiled consensus provided on December 22, 2016

Sources: Company reports, RBC Capital Markets estimates, Thomson consensus

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 3: Calculation of Our Price Target

SHAW COMMUNICATIONS VALUATION
(C$MM unless stated, Year Ended August 31)

Calculation of Target Price

Summary	Target Multiple	Weight	Value / Share
EV/EBITDA	7.9x	33%	$28.87
P/E	16.0x	33%	$27.88
DCF		33%	$28.91
Average		100%	$28.55
Target Price			**$29.00**

Implied FCF Yield	Price	F2015	F2016	F2017E	F2018E	F2019E
FCF		$580	$253	$262	$549	$662
FCF per Share		$1.24	$0.52	$0.54	$1.11	$1.33
FCF Yield @ Market	$26.94	4.6%	1.9%	2.0%	4.1%	4.9%
FCF Yield @ Target	$29.00	4.3%	1.8%	1.8%	3.8%	4.6%

P/E

	Target Multiple	F2015	F2016	F2017E	F2018E	F2019E
Adjusted EPS		$1.85	$1.25	$1.47	$1.67	$1.84
Equity Value per Share	16.0x	$29.62	$20.02	$23.51	$26.77	$29.43

Blended 2-Year Forward NAV **$27.88**

EV/EBITDA

	Target Multiple	F2016	F2017E	F2018E	F2019E	F2020E
Adjusted EBITDA						
Consumer		1,584	1,546	1,609	1,660	1,712
Business Network Services		266	293	319	351	387
Business Infrastructure		123	142	160	177	194
Wireless		29	131	175	230	289
		2,002	2,111	2,263	2,418	2,582
Enterprise Value						
Consumer	7.00x	11,088	10,819	11,262	11,618	11,985
Business Network Services	8.50x	2,261	2,491	2,711	2,984	3,287
Business Infrastructure	9.00x	1,107	1,276	1,436	1,590	1,744
Wireless		2,186	2,360	2,549	2,753	2,973
		16,642	16,946	17,958	18,946	19,990
Implied Blended Multiple		8.3x	8.0x	7.9x	7.8x	7.7x
Enterprise Value		16,642	16,946	17,958	18,946	19,990
Less: Net Debt		(5,507)	(5,666)	(5,558)	(5,356)	(5,061)
Add: Investments		1,170	1,325	1,419	1,491	1,568
Net Asset Value		12,305	12,605	13,818	15,081	16,497
Shares Outstanding		486	491	495	499	504
Equity Value per Share		$25.31	$25.69	$27.92	$30.21	$32.75

Blended 2-Year Forward NAV **$28.87**

Discounted FCF

Capitalization	Shares	Price	Value	Weight
Shares	486	$26.94	13,100	70%
Net Debt			5,507	30%
Capitalization @ Market			18,607	100%

Cost of Capital	Cost Cap.	Weight	WACC
Equity	9.5%	70%	6.7%
Debt	4.5%	30%	1.3%
WACC			8.0%
Terminal Growth Rate			1.5%

Sensitivity to DCF Assumptions

Terminal Growth \ WACC	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
0.0%	$30.97	$28.02	$25.46	$23.22	$21.25	$19.50	$17.94
0.5%	$33.65	$30.27	$27.37	$24.86	$22.67	$20.74	$19.03
1.0%	$36.82	$32.90	$29.58	$26.74	$24.28	$22.14	$20.24
1.5%	$40.62	$36.00	$32.16	$28.91	$26.13	$23.72	$21.61
2.0%	$45.26	$39.73	$35.20	$31.44	$28.25	$25.53	$23.17
2.5%	$51.07	$44.28	$38.86	$34.42	$30.73	$27.61	$24.94
3.0%	$58.53	$49.98	$43.33	$38.01	$33.66	$30.04	$26.99

Year-End August 31	F2015	F2016	F2017E	F2018E	F2019E	F2020E	F2021E	F2022E	F2023E	Terminal Value	'16-23E CAGR
Adjusted EBITDA	2,306	2,149	2,111	2,263	2,418	2,582	2,758	2,940	3,134		5.5%
Less: Depreciation and Amortization	(895)	(964)	(1,025)	(1,055)	(1,087)	(1,120)	(1,153)	(1,188)	(1,224)		
EBIT	1,411	1,185	1,087	1,207	1,330	1,462	1,605	1,752	1,910		7.1%
Less: Unlevered cash taxes	(444)	(365)	(261)	(290)	(319)	(351)	(385)	(420)	(458)		
Add: Depreciation and Amortization	895	964	1,025	1,055	1,087	1,120	1,153	1,188	1,224		
Less: Capex	(1,018)	(1,122)	(1,385)	(1,328)	(1,343)	(1,362)	(1,376)	(1,370)	(1,363)		
Less: Changes in working capital and other	(142)	94	24	20	26	24	21	21	20		
Free Cash Flow to the Firm	702	756	489	664	780	893	1,018	1,170	1,332	20,801	8.4%

Implied TTM Terminal Multiple: 6.9x

Enterprise Value	18,435
Less: Net Debt	(5,666)
Add: Other Investments	1,419
Equity Value	14,187
Shares Outstanding	491
	$28.91

Sources: Company reports, RBC Capital Markets estimates

Exhibit 4: Summary of Comparable Valuations

		Share	Market Cap.	P/E				EV/EBITDA[3]				FCF Yield				Net Debt/	Dividend	Dividend as % 2016E	
Cable and Telecom	**Ticker**	**Price**	**(MM)**	**2015A**	**2016E**	**2017E**	**FTM**	**2015A**	**2016E**	**2017E**	**FTM**	**2015A**	**2016E**	**2017E**	**FTM**	**EBITDA**	**Yield**	**EPS[4]**	**FCF[5]**
Canadian Telcos																			
BCE	BCE	C$58.03	C$50,498	17.3x	16.9x	15.8x	15.8x	8.3x	8.2x	7.8x	7.8x	4.6%	5.7%	7.6%	7.6%	2.8x	4.7%	79.6%	79.5%
Manitoba Telecom	MBT	C$37.96	C$2,966	49.3x	32.8x	20.8x	20.8x	9.0x	9.1x	8.2x	8.2x	4.7%	4.2%	4.4%	4.4%	1.6x	3.4%	112.5%	82.4%
TELUS Corporation	T	C$42.75	C$25,304	18.6x	17.8x	16.1x	16.1x	8.3x	8.1x	7.7x	7.7x	2.9%	3.3%	4.3%	4.3%	2.6x	4.1%	73.4%	128.2%
Average				**28.4x**	**22.5x**	**17.6x**	**17.6x**	**8.5x**	**8.5x**	**7.9x**	**7.9x**	**4.1%**	**4.4%**	**5.4%**	**5.4%**	**2.3x**	**4.1%**	**88.5%**	**96.7%**
Canadian Cablecos																			
Cogeco Communications	CCA	C$66.24	C$3,263	13.3x	11.7x	12.0x	11.8x	6.2x	5.9x	5.9x	5.8x	9.5%	7.6%	9.9%	9.9%	3.1x	2.4%	27.5%	31.2%
Quebecor[1]	QBR.B	C$37.32	C$4,572	20.8x	16.4x	12.1x	12.1x	7.3x	7.0x	6.6x	6.6x	5.3%	2.5%	4.6%	4.6%	3.7x	0.5%	7.9%	19.4%
Rogers Communications	RCI.B	C$51.79	C$26,662	17.7x	17.9x	15.7x	15.7x	7.8x	7.6x	7.2x	7.2x	5.7%	5.5%	6.3%	6.3%	2.9x	3.7%	66.5%	67.4%
Shaw Communications	SJR.B	C$26.94	C$13,130	14.5x	21.5x	18.3x	20.5x	8.0x	8.6x	8.4x	8.2x	4.6%	1.9%	2.0%	2.7%	2.5x	4.4%	95.9%	119.5%
Average				**16.6x**	**16.9x**	**14.5x**	**15.0x**	**7.3x**	**7.3x**	**7.0x**	**6.9x**	**6.3%**	**4.4%**	**5.7%**	**5.9%**	**3.1x**	**2.7%**	**49.4%**	**59.4%**
Cableco & Telco Average				**21.6x**	**19.3x**	**15.8x**	**16.1x**	**7.8x**	**7.8x**	**7.4x**	**7.3x**	**5.3%**	**4.4%**	**5.6%**	**5.7%**	**2.7x**	**3.3%**	**66.2%**	**75.4%**
US Telcos[2]																			
AT&T	T	US$42.53	US$220,858	15.7x	14.9x	14.1x	14.1x	7.2x	6.3x	6.0x	6.0x	7.4%	6.9%	7.4%	7.4%	2.6x	4.5%	67.1%	65.5%
Verizon Communications	VZ	US$53.38	US$219,018	12.2x	13.7x	13.2x	13.2x	6.8x	7.1x	6.8x	6.8x	15.9%	6.4%	7.3%	7.3%	2.3x	4.2%	57.9%	66.7%
Sprint	S	US$8.42	US$33,402	nmf	nmf	nmf	nmf	10.4x	8.1x	6.6x	6.9x	nmf	nmf	0.4%	nmf	4.0x	0.0%	-	-
T-Mobile US	TMUS	US$57.51	US$46,750	nmf	43.9x	29.0x	29.0x	9.0x	7.3x	6.4x	6.4x	2.2%	3.6%	6.3%	6.3%	3.4x	0.0%	-	-
Average				**13.9x**	**24.2x**	**13.7x**	**18.8x**	**8.4x**	**7.2x**	**6.4x**	**6.5x**	**8.5%**	**5.6%**	**5.4%**	**7.0%**	**3.1x**	**2.2%**	**62.5%**	**66.1%**
US Cablecos[2]																			
Comcast Corp.	CMCSA	US$69.05	US$183,121	21.2x	19.7x	17.8x	17.8x	9.4x	8.9x	8.3x	8.3x	5.1%	5.2%	6.0%	6.0%	2.2x	1.6%	31.3%	30.8%
Charter Communications	CHTR	US$287.92	US$32,185	nmf	nmf	nmf	nmf	nmf	7.2x	5.8x	5.8x	nmf	3.8%	5.5%	5.5%	4.7x	0.0%	-	-
DISH Networks	DISH	US$57.93	US$26,926	26.5x	19.0x	21.4x	21.4x	12.0x	11.5x	11.6x	11.6x	4.6%	5.5%	5.1%	5.1%	3.5x	0.0%	-	-
Average				**23.8x**	**19.3x**	**19.6x**	**19.6x**	**10.7x**	**9.2x**	**8.6x**	**8.6x**	**4.9%**	**4.8%**	**5.5%**	**5.5%**	**3.5x**	**0.5%**	**31.3%**	**30.8%**
US Average				**18.9x**	**21.7x**	**16.6x**	**19.2x**	**9.5x**	**8.2x**	**7.5x**	**7.6x**	**6.7%**	**5.2%**	**5.4%**	**6.3%**	**3.3x**	**1.4%**	**46.9%**	**48.5%**

[1]Quebecor Media proportionately consolidated
[2]Estimates are Thomson One consensus. Verizon pro forma consolidation of Verizon Wireless ownership
[3]EV/EBITDA calculated using adjusted EBITDA, which includes pension expense, recurring restructuring costs and capitalized subsidies and excludes non-recurring items
[4]EPS defined as normalized earnings per share after preferred dividends
[5]Free cash flow defined as cash from operations before working capital - capex - preferred dividends

Sources: Company reports, RBC Capital Markets estimates, Thomson Financial, Priced at December 30, 2016

Drew McReynolds, CFA, CA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 5: Summary of Key Operating and Financial Metrics for our Canadian Telecom Coverage

		2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
WIRELESS	**Blended ARPU ($)**									
	BCE	$53.23	$54.34	$56.39	$57.25	$59.92	$63.09	$65.67	$66.97	$68.14
	Rogers	$62.62	$60.20	$59.79	$59.58	$59.41	$59.71	$59.85	$60.85	$61.06
	TELUS	$57.63	$59.09	$60.38	$61.38	$62.24	$63.45	$64.95	$66.24	$66.24
	Network Revenue Growth (YoY)									
	BCE	9.2%	6.4%	6.5%	5.5%	6.4%	7.6%	5.4%	10.4%	4.0%
	Rogers	5.2%	0.5%	1.8%	0.4%	-0.1%	2.3%	5.0%	4.4%	3.1%
	TELUS	5.0%	8.5%	7.3%	5.1%	6.5%	4.8%	3.9%	4.5%	1.7%
	Network EBITDA Margins (%)									
	BCE	38%	38%	42%	44%	45%	45%	46%	46%	47%
	Rogers	48%	46%	46%	47%	48%	47%	45%	45%	45%
	TELUS	44%	44%	46%	46%	45%	45%	46%	47%	48%
	Capex Intensity (%)									
	BCE	9.8%	11.8%	11.4%	10.9%	10.9%	10.4%	10.2%	11.0%	11.0%
	Rogers	13.4%	16.7%	15.4%	11.9%	13.4%	11.3%	9.9%	11.7%	11.6%
	TELUS	9.2%	9.2%	12.1%	11.5%	12.5%	12.8%	13.0%	10.9%	10.9%
WIRELINE	**Revenue Growth (YoY)**									
	BCE	0.3%	-0.7%	-3.8%	-1.2%	-0.3%	-0.5%	-1.2%	5.2%	0.0%
	Cogeco	11.5%	8.7%	5.4%	3.2%	2.4%	0.6%	0.4%	0.8%	-0.8%
	Manitoba Telecom	-3.2%	2.2%	-0.2%	0.2%	3.4%	1.7%	0.8%	-	-
	Quebecor	10.0%	7.3%	6.5%	7.2%	1.4%	-1.7%	0.7%	0.8%	0.7%
	Rogers	3.6%	3.9%	1.5%	3.5%	-0.2%	-0.1%	-0.5%	0.6%	2.1%
	Shaw	11.3%	5.7%	3.2%	2.3%	3.0%	0.5%	0.6%	1.7%	3.2%
	TELUS	-2.2%	3.6%	2.9%	3.8%	2.7%	2.7%	2.6%	2.5%	3.6%
	EBITDA Margins (%)									
	BCE	38.7%	39.1%	38.4%	37.6%	40.1%	40.8%	41.6%	42.1%	43.2%
	Cogeco	44.5%	46.9%	48.3%	49.8%	51.1%	51.2%	52.0%	51.7%	51.4%
	Manitoba Telecom	51.8%	50.2%	50.5%	47.9%	47.1%	39.2%	41.4%	-	-
	Quebecor	48.8%	49.9%	50.9%	48.8%	50.4%	50.6%	51.1%	51.6%	51.8%
	Rogers	44.7%	46.8%	47.8%	49.4%	48.0%	47.8%	48.4%	48.4%	47.4%
	Shaw	47.5%	46.9%	44.1%	47.2%	49.2%	45.4%	45.0%	43.9%	44.6%
	TELUS	32.8%	31.2%	28.7%	26.0%	26.6%	25.4%	26.3%	27.2%	28.6%
	Capex Intensity (%)									
	BCE	18.5%	18.6%	21.5%	22.3%	23.5%	22.9%	23.7%	23.0%	23.0%
	Cogeco	29.8%	29.8%	26.3%	18.8%	17.8%	19.6%	18.4%	16.9%	16.8%
	Manitoba Telecom	25.0%	18.9%	22.3%	19.8%	20.9%	17.9%	17.9%	-	-
	Quebecor	22.4%	25.3%	26.1%	16.6%	19.7%	21.6%	23.6%	24.9%	25.7%
	Rogers	19.2%	22.6%	24.8%	31.8%	30.4%	29.7%	31.0%	30.5%	27.8%
	Shaw	25.9%	22.9%	25.4%	26.5%	29.4%	22.3%	21.3%	22.0%	21.1%
	TELUS	25.6%	26.3%	24.2%	25.7%	27.3%	29.3%	33.0%	33.9%	32.9%
MEDIA	**Revenue Growth (%)**									
	BCE	n/a	n/a	41.6%	17.1%	14.9%	1.3%	3.7%	2.5%	2.1%
	Quebecor	1.0%	-0.9%	-3.3%	-8.3%	-2.9%	16.0%	0.7%	-0.2%	0.2%
	Rogers	6.7%	7.3%	0.6%	5.2%	7.2%	13.9%	4.5%	1.0%	1.0%
	Shaw	-5.7%	0.2%	18.2%	5.0%	-0.9%	-1.5%	-	-	-

	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
Total Wireless Subcribers (000s)									
BCE	7,242	7,427	7,681	7,778	8,119	8,246	8,454	9,142	9,332
Rogers	8,977	9,335	9,437	9,503	9,450	9,877	10,213	10,498	10,725
TELUS	6,971	7,340	7,670	7,807	8,281	8,457	8,566	8,701	8,789
Postpaid Wireless Subcribers (000s)									
BCE	5,541	5,975	6,425	6,678	7,110	7,375	7,670	8,359	8,577
Rogers	7,325	7,574	7,846	8,074	8,073	8,271	8,522	8,737	8,909
TELUS	5,705	6,130	6,543	6,751	7,108	7,352	7,537	7,719	7,842
Postpaid Net Additions (000s)									
BCE	500	434	457	378	312	265	295	262	218
Rogers	319	269	268	228	(1)	106	251	215	172
TELUS	415	425	414	378	357	244	230	182	123
Postpaid Churn (%)									
BCE	1.33%	1.47%	1.28%	1.26%	1.22%	1.26%	1.22%	1.20%	1.21%
Rogers	1.18%	1.32%	1.29%	1.24%	1.27%	1.27%	1.22%	1.21%	1.22%
TELUS	1.13%	1.31%	1.09%	1.03%	0.93%	0.89%	0.90%	0.93%	0.95%
Television Net Additions (000s)									
BCE	71	68	69	122	153	107	2	2	5
Cogeco	10	3	(15)	(28)	(38)	(32)	(26)	(27)	(27)
Manitoba Telecom	3	6	2	8	3	(2)	(2)	-	-
Quebecor	35	50	(7)	(30)	(43)	(45)	(50)	(45)	(43)
Rogers	4	(14)	(83)	(127)	(103)	(128)	(83)	(80)	(64)
Shaw	7	(48)	(70)	(116)	(106)	(153)	(132)	(98)	(76)
TELUS	144	196	170	137	101	89	56	44	36
Telephony Net Additions (000s)									
BCE	(386)	(374)	(457)	(402)	(465)	(438)	(416)	(416)	(382)
Cogeco	76	61	53	13	(15)	(13)	(16)	(20)	(20)
Manitoba Telecom	(27)	(20)	(27)	(20)	(16)	(24)	(25)	-	-
Quebecor	100	91	60	21	(7)	(33)	(69)	(70)	(70)
Rogers	(12)	(1)	23	42	(3)	(60)	5	(10)	(10)
Shaw	237	137	131	53	15	(63)	(54)	(43)	(40)
TELUS	(227)	(146)	(188)	(151)	(85)	(116)	(122)	(122)	(122)
Internet Net Additions (000s)									
BCE	6	(17)	1	29	160	155	94	94	89
Cogeco	44	42	33	16	18	25	29	28	26
Manitoba Telecom	(2)	(1)	1	12	8	3	7	-	-
Quebecor	82	80	55	31	18	31	38	36	32
Rogers	64	83	73	63	50	37	87	78	70
Shaw	110	54	35	28	40	22	15	41	42
TELUS	14	57	74	61	74	86	56	50	43
EBITDA Margins (%)									
BCE	0.0%	21.7%	25.7%	26.7%	25.0%	24.3%	24.0%	24.2%	24.2%
Quebecor	18.6%	13.9%	10.8%	11.4%	6.7%	7.6%	6.4%	6.3%	6.3%
Rogers	9.8%	11.2%	11.7%	9.4%	7.2%	8.3%	8.6%	8.6%	8.6%
Shaw	29.6%	28.2%	31.5%	31.9%	32.2%	31.7%	-	-	-

Notes (i) Effective 2015, Manitoba Telecom wireline revenue growth and EBITDA margins are consistent with new disclosure. Prior to 2015, numbers are for MTS. Manitoba Telecom capex intensity includes wireless; (ii) Cogeco data for Canadian Cable Services only; (iii) Shaw wireline capex comprises Consumer & Business Network Services; (iv) Segmented capex intensity excludes spectrum and is calculated as a percentage of total segmented revenue; (v) BCE 2014 figures restated to include Bell Aliant in Bell segmented results and operating metrics; (vi) BCE 2017E and 2018E include Manitoba Telecom; (vii) Shaw 2016 figures are actuals

Sources: Company reports, RBC Capital Markets estimates

Exhibit 6: Income Statement Summary

Shaw Communications Income Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E	'15-'18E CAGR
Revenue														
Consumer	3,768	3,752	943	934	935	938	3,750	960	945	938	944	3,787	3,874	
Business Network Services	484	520	136	137	136	140	549	143	146	146	151	586	638	
Business Infrastructure Services	-	246	73	89	86	86	334	87	94	97	97	375	409	
Wireless	-	-	-	-	132	148	280	156	157	157	174	644	779	
Media	1,096	1,080	294	-	-	-	294	-	-	-	-	-	-	
Intersegment	(104)	(110)	(27)	(9)	(6)	(6)	(48)	(6)	(10)	(6)	(6)	(28)	(28)	
Total	**5,235**	**5,488**	**1,419**	**1,151**	**1,283**	**1,306**	**5,159**	**1,340**	**1,332**	**1,333**	**1,360**	**5,364**	**5,672**	**1.1%**
EBITDA[1]														
Consumer	1,669	1,685	419	403	427	418	1,667	413	392	415	408	1,629	1,694	
Business Network Services	240	256	64	66	66	70	266	71	73	73	75	293	319	
Business Infrastructure Services	86	95	25	33	33	32	123	32	35	37	37	142	160	
Wireless	-	-	-	-	29	29	58	30	31	35	35	131	175	
Media	353	342	118	-	-	-	118	-	-	-	-	-	-	
Total	**2,348**	**2,378**	**626**	**502**	**555**	**549**	**2,232**	**547**	**532**	**560**	**556**	**2,194**	**2,348**	**-0.4%**
Depreciation & Amortization	(765)	(895)	(230)	(231)	(250)	(253)	(964)	(254)	(256)	(257)	(258)	(1,025)	(1,055)	
EBIT	**1,583**	**1,483**	**396**	**271**	**305**	**296**	**1,268**	**293**	**277**	**303**	**298**	**1,170**	**1,292**	**-4.5%**
Financial Expense and Other	(379)	(291)	(78)	(92)	(205)	(94)	(372)	(73)	(73)	(73)	(73)	(292)	(289)	
EBT	1,204	1,192	318	179	100	202	896	220	204	230	225	878	1,003	-5.6%
Income Tax	(308)	(294)	(82)	(44)	(17)	(58)	(201)	(57)	(53)	(60)	(58)	(228)	(261)	
Non-controlling Interests	(30)	(24)	(9)	(8)	-	-	(17)	-	-	-	-	-	-	
Preferred Dividends	(13)	(13)	(3)	(3)	(4)	(3)	(13)	(3)	(3)	(4)	(3)	(13)	(13)	
Equity Income/(Loss)	-	(56)	(18)	(19)	(25)	-	(62)	36	9	28	8	81	95	
Net Income from Continuing Operations	**853**	**805**	**206**	**105**	**54**	**141**	**603**	**196**	**157**	**194**	**171**	**718**	**825**	**0.8%**
Adjusted EPS	**$1.88**	**$1.85**	**$0.43**	**$0.22**	**$0.29**	**$0.29**	**$1.25**	**$0.40**	**$0.32**	**$0.40**	**$0.35**	**$1.47**	**$1.67**	**-3.3%**
Weighted Average Shares Outstanding (MM)	457	468	481	477	482	485	482	487	488	489	490	489	493	

YoY Growth	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Revenue													
Consumer	-	-0.4%	1.7%	-0.3%	-1.6%	0.0%	-0.1%	1.9%	1.1%	0.4%	0.6%	1.0%	2.3%
Business Network Services	-	7.4%	7.1%	6.2%	3.8%	5.3%	5.6%	5.1%	6.5%	7.7%	7.7%	6.8%	8.8%
Business Infrastructure Services	-	-	32.7%	48.3%	36.5%	26.5%	35.8%	19.0%	5.6%	12.9%	13.1%	12.3%	9.0%
Wireless	-	-	-	-	-	-	-	-	-	18.8%	17.6%	129.9%	21.0%
Media	-0.9%	-1.5%	-4.2%	-100.0%	-100.0%	-100.0%	-72.8%	-100.0%	-	-	-	-100.0%	-
	1.8%	**4.8%**	**2.2%**	**-17.4%**	**-9.6%**	**-2.8%**	**-6.0%**	**-5.6%**	**15.7%**	**3.9%**	**4.1%**	**4.0%**	**5.7%**
EBITDA[1]													
Consumer	-	1.0%	3.5%	-1.2%	-2.5%	-3.7%	-1.1%	-1.5%	-2.6%	-2.8%	-2.4%	-2.3%	4.0%
Business Network Services	-	6.7%	4.9%	1.5%	4.8%	4.5%	3.9%	11.7%	10.6%	11.0%	7.7%	10.2%	8.8%
Business Infrastructure Services	-	-	19.0%	32.0%	32.0%	33.3%	29.5%	28.6%	6.8%	11.8%	17.0%	15.2%	12.5%
Wireless	-	-	-	-	-	-	-	-	-	19.0%	20.0%	126.1%	33.7%
Media	0.0%	-3.1%	-0.8%	-	-100.0%	-100.0%	-65.5%	-100.0%	-	-	-	-100.0%	-
	5.8%	**1.3%**	**3.3%**	**0.8%**	**-13.7%**	**-4.2%**	**-6.1%**	**-12.6%**	**6.0%**	**0.9%**	**1.2%**	**-1.7%**	**7.0%**
EBIT	**15.9%**	**-6.3%**	**2.6%**	**0.0%**	**-27.6%**	**-14.7%**	**-14.5%**	**-26.1%**	**2.0%**	**-0.6%**	**0.5%**	**-7.7%**	**10.5%**
Net Income from Continuing Operations	**16.4%**	**-5.6%**	**-4.6%**	**5.0%**	**-66.7%**	**-47.6%**	**-25.1%**	**-5.0%**	**49.2%**	**259.5%**	**21.4%**	**19.0%**	**14.9%**
Adjusted EPS	**19.6%**	**-1.7%**	**-8.2%**	**-18.7%**	**-29.8%**	**-48.9%**	**-32.4%**	**-6.1%**	**45.9%**	**35.2%**	**19.6%**	**17.4%**	**13.9%**

Margins (% Revenue)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
EBITDA													
Consumer	44.3%	44.9%	44.4%	43.1%	45.7%	44.6%	44.5%	43.0%	41.5%	44.2%	43.2%	43.0%	43.7%
Business Network Services	49.6%	49.2%	47.1%	48.2%	48.5%	50.0%	48.5%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Business Infrastructure Services	-	38.6%	34.2%	37.1%	38.4%	37.2%	36.8%	37.0%	37.5%	38.0%	38.5%	37.8%	39.0%
Wireless	-	-	-	-	22.0%	19.6%	20.7%	19.5%	20.0%	22.0%	20.0%	20.4%	22.5%
Media	32.2%	31.7%	40.1%	-	-	-	40.1%	-	-	-	-	-	-
	44.8%	**43.3%**	**44.1%**	**43.6%**	**43.3%**	**42.0%**	**43.3%**	**40.8%**	**39.9%**	**42.0%**	**40.9%**	**40.9%**	**41.4%**
EBIT	**30.2%**	**27.0%**	**27.9%**	**23.5%**	**23.8%**	**22.7%**	**24.6%**	**21.8%**	**20.8%**	**22.7%**	**21.9%**	**21.8%**	**22.8%**
Net Income from Continuing Operations	**16.3%**	**14.7%**	**14.5%**	**9.1%**	**4.2%**	**10.8%**	**11.7%**	**14.6%**	**11.8%**	**14.6%**	**12.6%**	**13.4%**	**14.5%**

[1]Consolidated EBITDA excludes wireless

Sources: Company reports, RBC Capital Markets estimates

Exhibit 7: Cash Flow and Balance Sheet

Shaw Communications Cash Flow Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Net Inc/(Dec) in Cash & Equivalents													
Cash flow from operating activities	1,740	1,540	304	477	427	469	1,677	105	671	376	551	1,703	1,825
Cash flow from investing activities	(1,029)	(1,904)	(324)	(535)	(65)	(316)	(1,240)	(373)	(363)	(365)	(365)	(1,468)	(1,319)
Cash flow from financing activities	(496)	124	(95)	172	(435)	(72)	(430)	(98)	(98)	(100)	(99)	(395)	(399)
	215	**(240)**	**(115)**	**114**	**(73)**	**81**	**7**	**(366)**	**209**	**(89)**	**87**	**(159)**	**108**
Ending Cash & Equivalents													
Beginning cash & equivalents	422	637	398	283	357	324	398	405	39	248	159	405	246
Net inc/(dec) in cash & equivalents	215	(240)	(115)	114	(73)	81	7	(366)	209	(89)	87	(159)	108
Effect of currency translation / other	-	1	-	(40)	40	-	-	-	-	-	-	-	-
	637	**398**	**283**	**357**	**324**	**405**	**405**	**39**	**248**	**159**	**246**	**246**	**354**

Free Cash Flow Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Free Cash Flow													
Cash from operations before working capital	1,524	1,637	406	363	403	369	1,541	413	402	423	422	1,660	1,796
Less: capex and equipment subsidies	(911)	(1,044)	(270)	(293)	(306)	(406)	(1,275)	(349)	(344)	(345)	(345)	(1,385)	(1,328)
Less: preferred dividends	(13)	(13)	(3)	(3)	(4)	(3)	(13)	(3)	(3)	(4)	(3)	(13)	(13)
Free Cash Flow	**600**	**580**	**133**	**67**	**93**	**(40)**	**253**	**61**	**55**	**73**	**73**	**262**	**455**
Less: dividends	(339)	(369)	(95)	(95)	(96)	(94)	(380)	(95)	(95)	(96)	(96)	(382)	(386)
Free Cash Flow (Post-Dividends)	**261**	**211**	**38**	**(28)**	**(3)**	**(134)**	**(127)**	**(34)**	**(41)**	**(22)**	**(23)**	**(120)**	**69**
FCF Per Share (Pre-Dividends)	**$1.31**	**$1.24**	**$0.28**	**$0.14**	**$0.19**	**($0.08)**	**$0.52**	**$0.12**	**$0.11**	**$0.15**	**$0.15**	**$0.54**	**$0.92**

Balance Sheet Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Assets													
Current Assets	1,359	1,023	967	3,378	807	882	882	731	745	656	738	738	770
Fixed and Other Assets	11,891	13,541	13,607	11,615	14,267	14,357	14,357	14,512	14,629	14,766	14,880	14,880	15,332
Total Assets	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,239**	**15,239**	**15,243**	**15,374**	**15,422**	**15,618**	**15,618**	**16,103**
Liabilities and Shareholders' Equity													
Liabilities	8,548	9,155	9,030	9,392	8,824	8,944	8,944	8,850	8,923	8,876	9,000	9,000	9,059
Shareholders' Equity	4,702	5,409	5,544	5,601	6,250	6,295	6,295	6,393	6,451	6,546	6,618	6,618	7,044
Total Liabilities and Shareholders' Equity	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,239**	**15,239**	**15,243**	**15,374**	**15,422**	**15,618**	**15,618**	**16,103**

Net Debt Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Net Debt													
Bank indebtedness	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	608	608	303	407	412	412	412	412	412	412	412	412
FX swap	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	4,690	5,061	5,075	5,656	5,193	5,200	5,200	5,200	5,200	5,200	5,200	5,200	5,200
Preferred shares	300	300	300	300	300	300	300	300	300	300	300	300	300
Less: cash & equivalents	(637)	(398)	(283)	(357)	(324)	(405)	(405)	(39)	(248)	(159)	(246)	(246)	(354)
	4,353	**5,571**	**5,700**	**5,902**	**5,576**	**5,507**	**5,507**	**5,873**	**5,664**	**5,753**	**5,666**	**5,666**	**5,558**

Sources: Company reports, RBC Capital Markets estimates

Exhibit 8: Summary of Financial Ratios

Shaw Communications Financial Ratios Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E
Dividend per Common Share	**$1.07**	**$1.16**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**	**$1.20**
YoY	7.6%	8.3%	6.7%	6.7%	1.3%	1.3%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% EPS from continuing operations	56.6%	62.4%	70.0%	136.3%	102.2%	102.7%	95.9%	74.6%	93.4%	75.6%	85.9%	81.7%	71.7%
% Free cash flow[1]	81.3%	93.3%	108.5%	213.6%	155.5%	-	228.6%	240.5%	267.3%	200.5%	200.5%	223.7%	130.1%
Book Value per Share													
Total shareholders' equity	4,702	5,409	5,544	5,601	6,250	6,295	6,295	6,393	6,451	6,546	6,618	6,618	7,044
Shares outstanding (MM)	462	474	488	478	484	486	486	487	489	490	491	491	495
	$10.18	**$11.41**	**$11.36**	**$11.71**	**$12.93**	**$12.95**	**$12.95**	**$13.12**	**$13.21**	**$13.37**	**$13.49**	**$13.49**	**$14.23**
YoY	10.2%	12.2%	8.1%	9.2%	17.7%	13.4%	13.4%						
Net Debt / LTM EBITDA[2,3]													
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,507	5,507	5,873	5,664	5,753	5,666	5,666	5,558
LTM EBITDA[3]	2,262	2,378	2,340	2,344	2,256	2,232	2,232	2,153	2,183	2,188	2,194	2,194	2,348
	1.92x	**2.34x**	**2.44x**	**2.52x**	**2.47x**	**2.47x**	**2.47x**	**2.73x**	**2.59x**	**2.63x**	**2.58x**	**2.58x**	**2.37x**
Net Debt / Total Capitalization[2,4]													
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,507	5,507	5,873	5,664	5,753	5,666	5,666	5,558
Total capitalization[4]	9,055	10,980	11,244	11,503	11,826	11,802	11,802	12,266	12,115	12,299	12,284	12,284	12,602
	48.1%	**50.7%**	**50.7%**	**51.3%**	**47.2%**	**46.7%**	**46.7%**	**47.9%**	**46.8%**	**46.8%**	**46.1%**	**46.1%**	**44.1%**
Capex Intensity													
Capex[5]	1,060	1,018	295	248	281	298	1,122	349	344	345	345	1,385	1,328
Revenue	5,235	5,488	1,419	1,151	1,283	1,306	5,159	1,340	1,332	1,333	1,360	5,364	5,672
	20.2%	**18.5%**	**20.8%**	**21.5%**	**21.9%**	**22.8%**	**21.7%**	**26.1%**	**25.9%**	**25.9%**	**25.4%**	**25.8%**	**23.4%**
Free Cash Flow / EBITDA[1,3]													
Free cash flow[1]	600	580	133	67	93	(40)	253	61	55	73	73	262	455
EBITDA[3]	2,348	2,378	626	502	555	549	2,232	547	532	560	556	2,194	2,348
	25.6%	**24.4%**	**21.2%**	**13.3%**	**16.8%**	**-7.3%**	**11.3%**	**11.1%**	**10.3%**	**13.1%**	**13.2%**	**11.9%**	**19.4%**
Effective Tax Rate													
Income tax	308	294	82	44	17	58	201	57	53	60	58	228	261
EBT	1,204	1,192	318	179	100	202	896	220	204	230	225	878	1,003
	25.6%	**24.7%**	**25.8%**	**24.6%**	**17.0%**	**28.7%**	**22.4%**	**26.0%**	**26.0%**	**26.0%**	**26.0%**	**26.0%**	**26.0%**
ROE[6]	**19.2%**	**15.9%**					**10.3%**					**8.5%**	**2.6%**
ROIC[7]	**12.4%**	**11.2%**					**8.4%**					**7.1%**	**7.0%**

[1]Free Cash Flow (FCF) defined as cash from operations before changes in non-cash WC - capex and equipment subsidies - preferred dividends
[2]Net Debt defined as current portion of long-term debt + fx swap + long-term debt + preferred shares - cash & equivalents
[3]Consolidated EBITDA excludes wireless
[4]Total Capitalization defined as net debt + shareholders' equity
[5]Capex includes additions to PPE
[6]ROE defined as (net income from continuing operations) / (average shareholders' equity)
[7]ROIC defined as (EBIT*(1-T)) / (average total capital)

Sources: Company reports, RBC Capital Markets estimates

Exhibit 9: Summary of Key Operating Metrics

Shaw Communications Operating Metrics (000s Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17E	Q2/17E	Q3/17E	Q4/17E	2017E	2018E	'15-'18E CAGR
Homes Passed	4,095	4,175	4,195	4,215	4,235	4,255	4,255	4,275	4,295	4,315	4,335	4,335	4,415	1.9%
Cable	1,958	1,842	1,821	1,782	1,756	1,732	1,732	1,716	1,693	1,672	1,653	1,653	1,596	-4.7%
Consumer	1,867	1,765	1,746	1,721	1,693	1,671	1,671	1,657	1,636	1,617	1,600	1,600	1,547	
Business	90	78	75	61	63	61	61	59	57	55	53	53	49	
Internet	1,930	1,953	1,961	1,964	1,955	1,968	1,968	1,985	1,994	1,994	2,008	2,008	2,050	1.6%
Consumer	1,762	1,772	1,782	1,786	1,777	1,788	1,788	1,803	1,810	1,808	1,820	1,820	1,849	
Business	169	180	179	178	178	180	180	182	184	186	188	188	200	
Satellite	881	843	831	827	828	822	822	811	806	809	802	802	784	-2.4%
Consumer	850	812	799	793	797	791	791	781	776	779	773	773	756	
Business	30	31	32	34	31	31	31	30	30	29	29	29	28	
Telephony	1,375	1,312	1,292	1,281	1,271	1,258	1,258	1,246	1,234	1,224	1,215	1,215	1,175	-3.6%
Consumer	1,111	1,027	1,005	991	976	957	957	942	927	912	897	897	837	
Business	265	285	287	290	295	301	301	304	307	312	318	318	338	
Wireless	-	938	940	980	1,003	1,043	1,043	1,083	1,123	1,148	1,188	1,188	1,388	
Subscribers (YoY Growth)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Homes Passed	2.2%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	
Cable	-4.0%	-5.9%	-6.2%	-6.5%	-6.7%	-6.0%	-6.0%	-5.8%	-5.0%	-4.8%	-4.5%	-4.5%	-3.5%	
Consumer		-5.5%	-5.9%	-5.6%	-5.8%	-5.3%	-5.3%	-5.1%	-4.9%	-4.5%	-4.2%	-4.2%	-3.3%	
Business		-14.0%	-13.6%	-27.2%	-24.6%	-21.3%	-21.3%	-21.0%	-6.7%	-12.1%	-13.1%	-13.1%	-7.5%	
Internet	2.1%	1.1%	0.8%	1.1%	0.3%	0.8%	0.8%	1.2%	1.5%	1.9%	2.1%	2.1%	2.1%	
Consumer		0.6%	0.5%	1.0%	0.2%	0.9%	0.9%	1.2%	1.3%	1.7%	1.8%	1.8%	1.6%	
Business		7.0%	4.7%	2.2%	1.4%	-0.2%	-0.2%	1.5%	3.5%	4.3%	4.4%	4.4%	6.7%	
Satellite	-2.5%	-4.2%	-3.7%	-3.2%	-2.7%	-2.6%	-2.6%	-2.4%	-2.6%	-2.3%	-2.4%	-2.4%	-2.3%	
Consumer		-4.5%	-3.9%	-3.4%	-2.8%	-2.6%	-2.6%	-2.3%	-2.2%	-2.2%	-2.2%	-2.2%	-2.3%	
Business		3.1%	2.8%	2.5%	-0.6%	-1.4%	-1.4%	-3.9%	-12.2%	-6.2%	-6.5%	-6.5%	-3.4%	
Telephony	1.1%	-4.6%	-6.0%	-6.0%	-5.3%	-4.1%	-4.1%	-3.6%	-3.7%	-3.7%	-3.5%	-3.5%	-3.3%	
Consumer		-7.5%	-9.0%	-9.0%	-8.1%	-6.9%	-6.9%	-6.3%	-6.4%	-6.6%	-6.3%	-6.3%	-6.7%	
Business		7.6%	6.5%	5.9%	5.5%	5.8%	5.8%	5.8%	5.7%	5.6%	5.5%	5.5%	6.3%	
Wireless	-	-	-	-	-	11.2%	11.2%	15.2%	14.6%	14.4%	13.9%	13.9%	16.8%	
Penetration Rates (% Homes Passed)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Cable	47.8%	44.1%	43.4%	42.3%	41.5%	40.7%	40.7%	40.1%	39.4%	38.7%	38.1%	38.1%	36.2%	
Internet	47.1%	46.8%	46.7%	46.6%	46.2%	46.2%	46.2%	46.4%	46.4%	46.2%	46.3%	46.3%	46.4%	
Satellite	21.5%	20.2%	19.8%	19.6%	19.6%	19.3%	19.3%	19.0%	18.8%	18.7%	18.5%	18.5%	17.7%	
Telephony	33.6%	31.4%	30.8%	30.4%	30.0%	29.6%	29.6%	29.1%	28.7%	28.4%	28.0%	28.0%	26.6%	
Net Additions	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Homes Passed	87	80	20	20	20	20	80	20	20	20	20	80	80	
Cable	(83)	(115)	(21)	(39)	(26)	(24)	(110)	(16)	(23)	(21)	(19)	(79)	(57)	
Consumer		(103)	(18)	(26)	(27)	(22)	(93)	(14)	(21)	(19)	(17)	(71)	(53)	
Business Network Services		(13)	(3)	(14)	1	(2)	(17)	(2)	(2)	(2)	(2)	(8)	(4)	
Internet	40	22	8	3	(8)	12	15	17	10	(1)	15	41	42	
Consumer		12	9	4	(9)	10	15	15	8	(3)	13	33	29	
Business Network Services		10	(1)	(2)	0	2	(0)	2	2	2	2	8	13	
Satellite	(23)	(37)	(13)	(4)	1	(7)	(22)	(11)	(6)	3	(7)	(19)	(18)	
Consumer		(38)	(13)	(6)	4	(6)	(21)	(10)	(5)	4	(6)	(17)	(17)	
Business Network Services		1	0	2	(3)	(0)	(0)	(1)	(1)	(1)	(1)	(2)	(1)	
Telephony	15	(63)	(20)	(11)	(10)	(13)	(54)	(13)	(12)	(10)	(9)	(43)	(40)	
Consumer		(83)	(22)	(14)	(15)	(19)	(71)	(15)	(15)	(15)	(15)	(60)	(60)	
Business Network Services		20	2	3	5	6	17	2	3	5	6	17	20	
Wireless	-	169	33	40	24	40	136	40	40	25	40	145	200	
ARPU	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17E**	**Q2/17E**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Blended Consumer ARPU	$55.64	$57.02	$58.71	$58.62	$59.18	$59.85	$59.06	$61.64	$60.96	$60.95	$61.64	$61.30	$64.06	4.0%
Blended Business ARPU	$77.01	$76.82	$79.03	$80.36	$80.14	$81.79	$79.74	$82.98	$84.37	$84.15	$85.88	$84.13	$88.34	4.8%
Blended Wireless ARPU	$31.42	$34.99	$35.90	$36.23	$36.30	$37.40	$36.59	$37.69	$38.05	$38.12	$38.52	$38.17	$40.08	4.6%

Sources: Company reports, RBC Capital Markets estimates

Valuation

Our one-year price target of $29.00 and Outperform rating for Shaw is based on the average of three approaches: (1) applying a 16.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 7.0x, 8.5x, 9.0x and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest and wireless, respectively; and (3) discounted FCF through F2023E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment. The total return to our price target supports an Outperform rating.

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Impediments to the shares reaching our one-year price target and rating are: 1) greater than expected wireless capex and/or the inability to execute on wireless; 2) greater-than-expected market share gains from the rollout of TELUS Optik TV and TELUS Optik Internet across the Shaw cable footprint; 3) the inability to realize additional annual cost savings to maintain cable margins; 4) greater-than-expected telephony and television substitution; and 5) the emergence of irrational pricing in the residential telephony, television, and/or Internet markets

Company description

Shaw Communications is one of Canada's largest telecom operators with approximately 1.9 million cable subscribers, 2.0 million Internet subscribers and 1.4 million telephony subscribers in Western Canada, and approximately 850k satellite subscribers. In September 2014, Shaw acquired Denver-based data services provider ViaWest. In December 2015, Shaw announced the acquisition of WIND marking its entrance into wireless.

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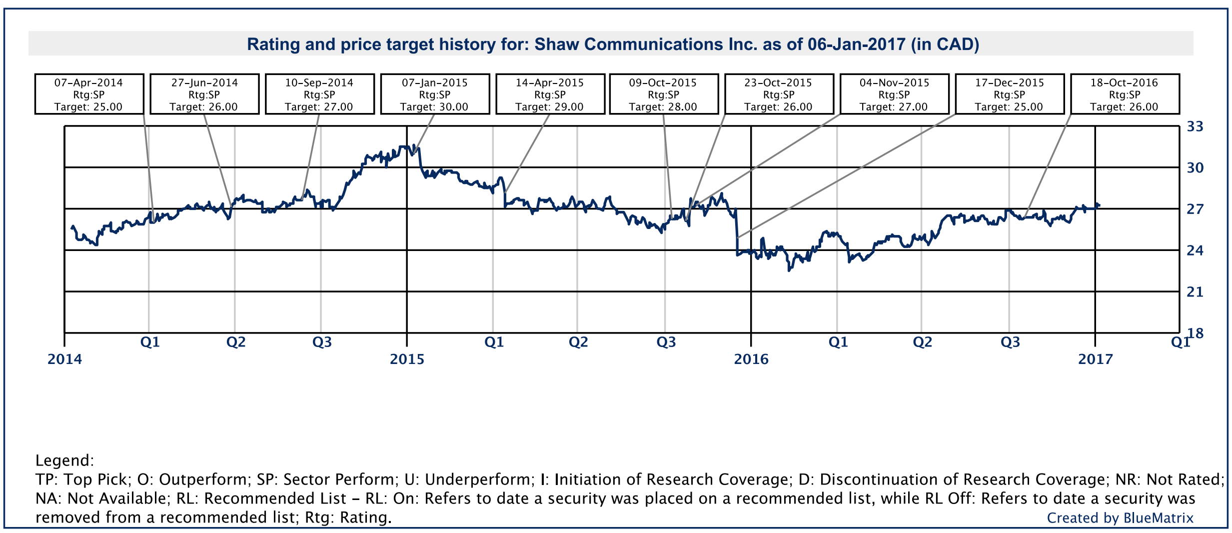

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Shaw Communications Inc.

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This is Exhibit 74 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

EQUITY RESEARCH

RBC Capital Markets

RBC Dominion Securities Inc.
Drew McReynolds, CFA, CA, CPA (Analyst)
(416) 842-3805
drew.mcreynolds@rbccm.com

Jeffrey Lau, CFA (Senior Associate)
(416) 842-4123
jeffrey.lau@rbccm.com

Sector: Telecommunications & Wireless

June 14, 2017

Shaw Communications Inc.

More Wireless Pieces Come Together

Our view: While the sale of ViaWest and spectrum investments are only modestly NAV accretive, we view the transactions as another significant strategic step forward and one that further improves the relative risk profile of the stock.

Key points:

- **No change to investment thesis.** In a maturing and competitively intense Canadian telecom industry, we see potential for superior NAV growth driven by wireless as well as improved wireline performance with X1 and 1 Gbps Internet deployments, and increased business market penetration. We continue to believe that the potential upside should Shaw gain wireless/wireline traction outweighs the downside, with the trade-off looking compelling relative to large-cap peers.
- **Key transaction details.** Shaw announced the sale of ViaWest to Peak 10 for $2.3B in cash (16.2x our F2017E EBITDA estimate), or estimated net proceeds of $2.2B, with the transaction expected to close by the end of F2017E. Shaw also announced the acquisition of Quebecor's unused 700 MHz and 2500 MHz spectrum for $430MM (expecting a summer close), with an incremental $350MM to be spent to deploy the spectrum mainly in F2018E.
- **Raising price target from $30 to $31.** Incorporating the transactions into our forecast, we increase our price target from $30 to $31. Key financial takeaways: (i) gross proceeds of $2.3B for ViaWest were well ahead of the $1.5B value in our NAV and the $1.3B purchase price, the financial impact of which is largely offset by spectrum costs and higher wireless capex; (ii) we forecast net debt/EBITDA (including 50% of preferred shares) of 1.9x in F2018E and 1.6x in F2019E; (iii) we forecast FCF of $425MM in F2018E (versus F2017 FCF guidance of >$400MM), factoring in higher wireless capex; and (iv) a payout ratio (% of FCF) below 80% pre-DRIP in F2019E.
- **A significant strategic step forward.** The sale of ViaWest is consistent with Shaw's focus on wireless. We view the spectrum acquisition as a significant strategic step forward, reflecting what was lingering uncertainty around the timing and ultimate cost of acquiring low band spectrum. In our view, the deployment of this spectrum through F2018E represents a major piece to Shaw's wireless puzzle and sets the stage for a more compelling wireless offering (i.e., quality of service, handset availability). The timing and value of the transaction suggest to us that the government is supportive of regional wireless players and is consistent with a likely 600 MHz set-aside.
- **Near-term impact on incumbents should be minimal.** Consistent with our RBC Telecom Scenario Report, until Shaw completes its wireless puzzle, we believe its impact on the wireless incumbents should be minimal. Beginning in earnest in 2018, however, we do expect Shaw to take a larger share of the growth within the industry, resulting in a potential step-down in growth for the incumbents.

Outperform

TSX: SJR.B; CAD 29.41; NYSE: SJR

Price Target CAD 31.00 ↑ 30.00

WHAT'S INSIDE	
☐ Rating/Risk Change	☑ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☑ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
26.00	29.41	31.00	33.00
↓ 8%		↑ 9%	↑ 16%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	461.0	Market Cap (MM):	13,558
Dividend:	1.20	Yield:	4.1%
		Enterprise Val. (MM):	20,000
		Avg. Daily Volume:	1,604,471

Strategic Ownership: Shaw Family (12% equity; 79% voting)

RBC Estimates

FY Aug	2015A	2016A	2017E	2018E
Revenue	5,488.0	4,884.0	5,281.0	5,587.0
Prev.				5,574.0
EPS, Adj Basic	1.85	1.23	1.35	1.62
Prev.				1.54
P/AEPS	15.9x	23.9x	21.8x	18.2x
EBITDA	2,379.0	2,114.0	2,182.0	2,308.0
Prev.				2,296.0

Revenue	Q1	Q2	Q3	Q4
2016	1,419.0A	1,151.0A	1,283.0A	1,306.0A
2017	1,313.0A	1,304.0A	1,319.0E	1,345.0E
EPS, Adj Basic				
2016	0.43A	0.22A	0.29A	0.29A
2017	0.35A	0.30A	0.37E	0.34E

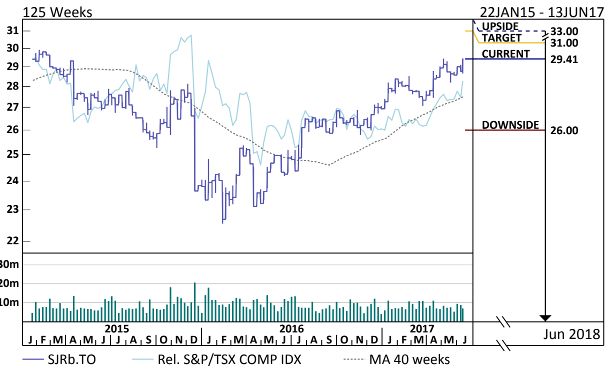
All values in CAD unless otherwise noted.

Disseminated: Jun 14, 2017 00:45ET; Produced: Jun 14, 2017 00:11ET Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 13.

Target/Upside/Downside Scenarios

Exhibit 1: Shaw Communications Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Target price/base case

Our one-year price target of $31.00 is based on the average of three approaches: (1) applying a 16.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 7.5x, 8.5x, 9.0x, and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest, and wireless, respectively; and (3) discounted FCF through F2023E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with peers and consistent the company's growth and risk profile and a low interest rate environment.

Upside scenario

Our upside scenario translates to a $33 value. This scenario assumes greater RGU growth, more robust cable ARPU growth, better than expected wireless ARPU and subscriber growth, and a faster re-acceleration in Business Network Services revenue growth.

Downside scenario

Our downside scenario translates to a $26 value. This scenario assumes continued deterioration in the RGU base combined with modest cable ARPU growth, a prolonged wireless drag on FCF and minimal re-acceleration in Business Network Services revenue growth.

Investment summary

In a maturing and competitively intense Canadian telecom industry, we see potential for superior NAV growth driven by wireless as well as improved wireline performance with X1 and 1 Gbps Internet deployments, and increased business market penetration. This renewed Shaw growth story will not be without its challenges, including execution, managing heavy wireless capex requirements, and facing a very strong wireline competitor in TELUS in Western Canada. Nevertheless, we continue to believe that the potential upside should Shaw gain wireless/wireline traction outweighs the downside, with the trade-off looking compelling relative to large-cap peers.

Potential catalysts for the stock

- Easing of IPTV market share gains resulting in fewer cable subscriber losses
- Better than expected X1 traction
- An eventual easing of wireless capex intensity and steady wireless growth
- Launch of a Shaw branded wireless brand and/or increased premium handset availability
- Incremental WiFi, Internet, and business market monetization longer-term

Potential risks for the stock

- Greater than expected wireless capex and/or the inability to execute on wireless
- Greater-than-expected market share gains from the rollout of TELUS Optik TV and Internet
- The inability to realize additional annual cost savings to maintain cable margins
- Greater-than-expected telephony and television substitution
- The emergence of irrational pricing in the residential telephony, television, and/or Internet markets

Exhibit 2: Summary of Changes to Our Forecast

Shaw Communications			F2017E		F2017E RBC Capital Markets			F2018E	F2018E RBC Capital Markets		
RBC Capital Markets Estimate Revisions	F2016	YoY Δ	Guidance [3]	Consensus [4]	Previous	New	YoY Δ	Consensus [4]	Previous	New	YoY Δ
Financial Forecasts ($MM)											
Revenue											
Consumer	3,750	-0.1%			3,776	3,776	0.7%		3,901	3,912	3.6%
Business Network Services	549	5.6%			584	584	6.5%		624	625	6.9%
Business Infrastructure Services	334	35.8%			373	373	11.6%		404	-	-
Wireless	280	-			572	572	nmf		669	670	17.0%
Intersegment Eliminations	(30)	-			(24)	(24)	-		(24)	(24)	-
	4,884	**8.9%**		5,287	**5,281**	**5,281**	**8.1%**	5,520	**5,574**	**5,182**	**-1.9%**
EBITDA											
Consumer	1,667	-1.1%			1,630	1,630	-2.2%		1,679	1,690	3.7%
Business Network Services	266	3.9%			292	292	9.9%		312	312	6.9%
Business Infrastructure Services	123	29.5%			140	140	13.7%		158	-	-
Wireless	58	-			121	121	nmf		147	147	22.0%
	2,114	**3.8%**	"$2,125MM to $2,175MM"	2,184	**2,182**	**2,182**	**3.2%**	2,268	**2,296**	**2,150**	**-1.5%**
EBITDA Margins											
Consumer	44.5%	-46bps			43.2%	43.2%	-130bps		43.1%	43.2%	6bps
Business Network Services	48.5%	-78bps			50.0%	50.0%	155bps		50.0%	50.0%	0bps
Business Infrastructure Services	36.8%	-179bps			37.5%	37.5%	70bps		39.0%	-	-
Wireless	20.7%	-			21.1%	21.1%	nmf		22.0%	22.0%	89bps
	43.3%	**-210bps**		41.3%	**41.3%**	**41.3%**	**-196bps**	41.1%	**41.2%**	**41.5%**	**17bps**
Adjusted EPS	**$1.23**	**-33.3%**		$1.25	**$1.35**	**$1.35**	**9.5%**	$1.40	**$1.54**	**$1.62**	**20.0%**
Capex [1]	**1,192**	**22.6%**	$1,300MM	1,280	**1,310**	**1,310**	**9.9%**	1,211	**1,229**	**1,387**	**5.9%**
% revenue	24.4%	274bps		24.2%	24.8%	24.8%	41bps	21.9%	22.1%	26.8%	196bps
FCF	**484**	**-25.9%**	"Exceeding $400MM"	484	**480**	**480**	**-0.8%**	573	**636**	**423**	**-11.9%**
Net Debt [2]	**5,507**	**-1.1%**			**5,715**	**5,715**	**3.8%**		**5,608**	**4,196**	**-26.6%**
Net Debt/EBITDA [2]	2.5x	0.12x			2.6x	2.6x	0.15x		2.4x	2.0x	-0.67
Operating Forecasts (000s)											
Consumer											
Cable Subscribers	1,671	-5.3%			1,658	1,658	-0.8%		1,648	1,648	-0.6%
Net Additions	(93)	-			(13)	(13)	-		(10)	(10)	-
Internet Subscribers	1,788	0.9%			1,831	1,831	2.4%		1,869	1,869	2.1%
Net Additions	15	22.9%			43	43	177.9%		38	38	-10.0%
Telephony Subscribers	957	-6.9%			912	912	-4.7%		872	872	-4.4%
Net Additions	(71)	-			(45)	(45)	-		(40)	(40)	-
Satellite Subscribers	791	-2.6%			768	768	-2.9%		748	748	-2.6%
Net Additions	(21)	-			(23)	(23)	-		(20)	(20)	-
Wireless Subscribers	1,043	-			1,124	1,124	7.7%		1,299	1,299	15.6%
Net Additions	136	-		107	80	80	-40.8%	150	175	175	117.7%
Business Network Services											
Cable Subscribers	61	-21.3%			49	49	-19.1%		44	44	-10.1%
Net Additions	(17)	-			(12)	(12)	-		(5)	(5)	-
Internet Subscribers	180	-0.2%			169	169	-6.0%		174	174	3.0%
Net Additions	(0)	-			(11)	(11)	-		5	5	-
Telephony Subscribers	301	5.8%			323	323	7.3%		343	343	6.2%
Net Additions	17	-17.9%			22	22	33.0%		20	20	-9.1%
Satellite Subscribers	31	-1.4%			31	31	0.0%		30	30	-3.2%
Net Additions	(0)	-			0	0	-		(1)	(1)	-

[1] Capex and FCF defined as per company guidance; FCF includes Corus dividends
[2] Net debt defined as current portion of long-term debt + long-term debt + preferred shares - cash & equivalents
[3] EBITDA growth guidance includes wireless and excludes media; Capex guidance includes wireless
[4] Company-compiled consensus estimates provided on June 9, 2017

Source: Company reports, RBC Capital Markets estimates, Thomson consensus

Exhibit 3: Calculation of Our Price Target

SHAW COMMUNICATIONS VALUATION
(C$MM unless stated, Year Ended August 31)

Calculation of Target Price

Summary	Target Multiple	Weight	Value / Share
EV/EBITDA	8.2x	33%	$30.96
P/E	16.0x	33%	$28.43
DCF		33%	$33.40
Average		100%	$30.93
Target Price			**$31.00**

Implied FCF Yield	Price	F2015	F2016	F2017E	F2018E	F2019E
FCF		$580	$253	$287	$227	$724
FCF per Share		$1.24	$0.52	$0.58	$0.46	$1.45
FCF Yield @ Market	$29.42	4.2%	1.8%	2.0%	1.6%	4.9%
FCF Yield @ Target	$31.00	4.0%	1.7%	1.9%	1.5%	4.7%

P/E

	Target Multiple	F2015	F2016	F2017E	F2018E	F2019E
Adjusted EPS		$1.85	$1.23	$1.35	$1.62	$1.81
Equity Value per Share	16.0x	$29.62	$19.75	$21.62	$25.95	$28.92

Blended 2-Year Forward NAV **$28.43**

EV/EBITDA

	Target Multiple	F2016	F2017E	F2018E	F2019E	F2020E
Adjusted EBITDA						
Consumer		1,584	1,552	1,610	1,697	1,785
Business Network Services		266	292	312	340	372
Business Infrastructure		123	140	-	-	-
Wireless		29	121	147	194	250
		2,002	2,104	2,070	2,230	2,407
Enterprise Value						
Consumer	7.50x	11,880	11,637	12,078	12,726	13,387
Business Network Services	8.50x	2,261	2,484	2,656	2,887	3,161
Business Infrastructure	9.00x	1,107	1,259	-	-	-
Wireless		1,968	2,126	2,296	2,480	2,678
		17,216	17,505	17,030	18,092	19,226
Implied Blended Multiple		8.6x	8.3x	8.2x	8.1x	8.0x
Enterprise Value		17,216	17,505	17,030	18,092	19,226
Less: Net Debt		(5,507)	(5,715)	(4,196)	(3,938)	(3,562)
Add: Investments		1,170	1,323	1,491	1,595	1,676
Net Asset Value		12,880	13,113	14,325	15,749	17,340
Shares Outstanding		486	493	498	502	506
Equity Value per Share		$26.49	$26.58	$28.79	$31.39	$34.27

Blended 2-Year Forward NAV **$30.96**

Discounted FCF

Capitalization	Shares	Price	Value	Weight
Shares	486	$29.42	14,305	72%
Net Debt			5,507	28%
Capitalization @ Market			19,812	100%

Cost of Capital	Cost Cap.	Weight	WACC
Equity	9.3%	72%	6.7%
Debt	4.5%	28%	1.3%
WACC			8.0%
Terminal Growth Rate			1.5%

Sensitivity to DCF Assumptions

Terminal Growth	WACC 6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
0.0%	$35.33	$32.29	$29.66	$27.36	$25.33	$23.53	$21.92
0.5%	$38.16	$34.67	$31.69	$29.10	$26.84	$24.85	$23.08
1.0%	$41.50	$37.45	$34.03	$31.09	$28.56	$26.34	$24.38
1.5%	$45.51	$40.73	$36.76	$33.40	$30.52	$28.02	$25.84
2.0%	$50.41	$44.67	$39.98	$36.08	$32.78	$29.95	$27.50
2.5%	$56.54	$49.49	$43.86	$39.25	$35.42	$32.17	$29.40
3.0%	$64.41	$55.51	$48.59	$43.06	$38.54	$34.77	$31.58

Year-End August 31	F2015	F2016	F2017E	F2018E	F2019E	F2020E	F2021E	F2022E	F2023E	Terminal Value	'16-23E CAGR
Adjusted EBITDA	2,306	2,149	2,104	2,070	2,230	2,407	2,593	2,787	2,989		4.8%
Less: Depreciation and Amortization	(895)	(964)	(1,054)	(987)	(1,026)	(1,067)	(1,110)	(1,154)	(1,200)		
EBIT	1,411	1,185	1,050	1,083	1,204	1,340	1,483	1,632	1,788		6.1%
Less: Unlevered cash taxes	(444)	(365)	(262)	(260)	(289)	(322)	(356)	(392)	(429)		
Add: Depreciation and Amortization	895	964	1,054	987	1,026	1,067	1,110	1,154	1,200		
Less: Capex	(1,018)	(1,122)	(1,336)	(1,467)	(1,209)	(1,222)	(1,231)	(1,213)	(1,191)		
Less: Changes in working capital and other	(142)	94	(56)	(20)	17	23	22	20	18		
Free Cash Flow to the Firm	702	756	450	323	749	887	1,027	1,202	1,387	21,660	9.1%

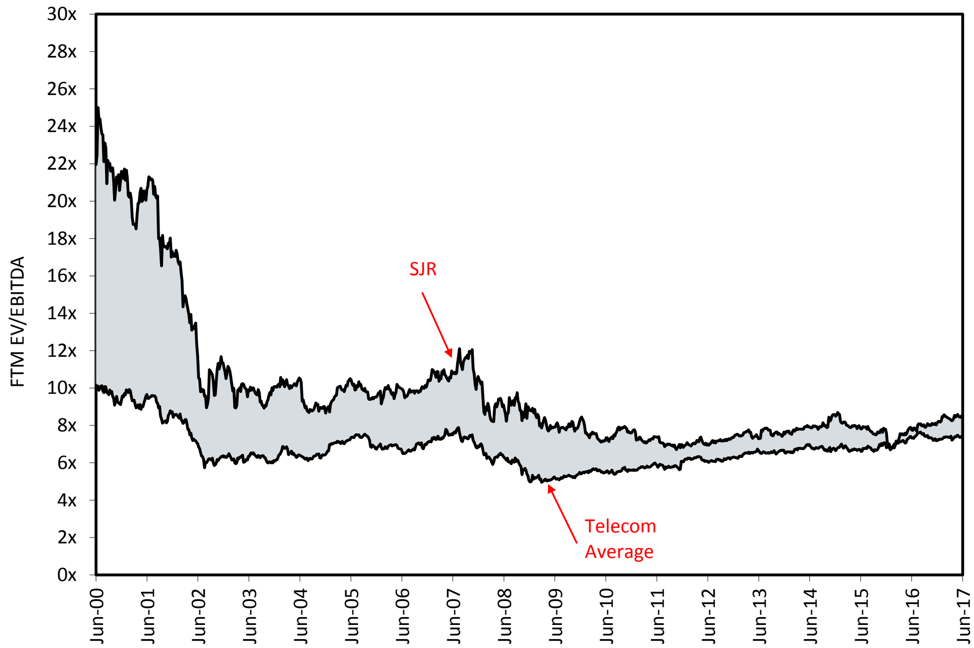
Enterprise Value	19,322
Less: Net Debt	(4,196)
Add: Other Investments	1,491
Equity Value	16,617
Shares Outstanding	498
	$33.40

Implied TTM Terminal Multiple: 7.5x

Source: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 4: Shaw FTM EV/EBITDA Multiple versus the Canadian Telecom Average



Source: Company reports, RBC Capital Markets estimates

RBC Capital Markets

Exhibit 5: Summary of Comparable Valuations

		Share	Market Cap.	P/E				EV/EBITDA[3]				FCF Yield				Net Debt/	Dividend	Dividend as % 2017E	
Cable and Telecom	**Ticker**	**Price**	**(MM)**	**2016A**	**2017E**	**2018E**	**FTM**	**2016A**	**2017E**	**2018E**	**FTM**	**2016A**	**2017E**	**2018E**	**FTM**	**EBITDA**	**Yield**	**EPS[4]**	**FCF[5]**
Canadian Telcos																			
BCE	BCE	C$59.45	C$53,475	17.2x	17.4x	15.5x	16.6x	8.4x	8.3x	7.7x	8.0x	4.8%	6.2%	7.5%	6.8%	2.8x	4.8%	84.0%	73.3%
TELUS Corporation	T	C$44.87	C$26,575	16.9x	15.9x	15.2x	15.6x	8.3x	7.9x	7.6x	7.8x	1.2%	4.2%	4.9%	4.5%	2.7x	4.4%	72.5%	111.1%
Average				**17.1x**	**16.6x**	**15.4x**	**16.1x**	**8.4x**	**8.1x**	**7.7x**	**7.9x**	**3.0%**	**5.2%**	**6.2%**	**5.7%**	**2.8x**	**4.6%**	**78.3%**	**92.2%**
Canadian Cablecos																			
Cogeco Communications	CCA	C$77.84	C$3,858	13.7x	12.4x	12.5x	12.4x	6.5x	6.3x	6.0x	6.1x	6.4%	10.1%	9.1%	9.4%	3.1x	2.2%	27.4%	21.9%
Quebecor[1]	QBR.B	C$41.86	C$5,090	17.0x	14.8x	11.4x	13.3x	7.5x	6.6x	6.1x	6.4x	2.3%	5.0%	5.4%	5.2%	3.0x	0.5%	6.1%	10.0%
Rogers Communications	RCI.B	C$62.75	C$32,304	21.6x	17.6x	16.4x	17.0x	8.8x	8.1x	7.7x	7.9x	4.7%	5.5%	6.0%	5.7%	2.9x	3.1%	56.0%	55.5%
Shaw Communications	SJR.B	C$29.42	C$14,453	23.5x	21.8x	18.1x	18.9x	9.2x	9.0x	8.4x	8.5x	1.8%	2.0%	1.6%	1.7%	2.6x	4.0%	66.1%	79.9%
Average				**18.9x**	**16.6x**	**14.6x**	**15.4x**	**8.0x**	**7.5x**	**7.0x**	**7.2x**	**3.8%**	**5.6%**	**5.5%**	**5.5%**	**2.9x**	**2.5%**	**38.9%**	**41.8%**
Cableco & Telco Average				**18.3x**	**16.6x**	**14.9x**	**15.6x**	**8.1x**	**7.7x**	**7.2x**	**7.4x**	**3.5%**	**5.5%**	**5.7%**	**5.5%**	**2.9x**	**3.2%**	**52.0%**	**58.6%**
US Telcos[2]																			
AT&T	T	US$38.68	US$237,457	18.5x	13.2x	12.9x	13.1x	7.1x	6.6x	6.4x	6.5x	7.2%	7.7%	8.0%	7.9%	2.4x	5.1%	67.1%	65.6%
Verizon Communications	VZ	US$46.46	US$189,882	14.4x	12.3x	12.0x	12.2x	6.5x	6.8x	6.4x	6.6x	3.0%	8.1%	8.5%	8.3%	2.4x	5.0%	60.9%	61.1%
Sprint	S	US$8.26	US$32,875	nmf	nmf	nmf	nmf	8.0x	6.8x	5.8x	6.6x	nmf	0.5%	0.8%	0.6%	3.4x	0.0%	-	-
T-Mobile US	TMUS	US$64.01	US$52,680	41.8x	31.5x	24.9x	28.6x	7.3x	7.5x	6.6x	7.1x	3.3%	5.3%	6.9%	6.0%	2.5x	0.0%	-	-
Average				**24.9x**	**12.8x**	**12.4x**	**17.9x**	**7.2x**	**6.7x**	**6.4x**	**6.7x**	**4.5%**	**5.4%**	**6.1%**	**5.7%**	**2.7x**	**2.5%**	**64.0%**	**63.3%**
US Cablecos[2]																			
Comcast Corp.	CMCSA	US$41.22	US$200,412	11.8x	11.0x	9.7x	10.4x	9.6x	9.2x	8.5x	8.9x	8.4%	9.9%	10.9%	10.3%	2.1x	1.5%	16.8%	15.5%
Charter Communications	CHTR	US$341.81	US$106,132	nmf	nmf	40.5x	nmf	12.3x	11.3x	10.5x	11.0x	3.3%	4.6%	6.2%	5.3%	4.2x	0.0%	-	-
DISH Networks	DISH	US$66.04	US$30,704	21.9x	24.6x	26.7x	25.5x	12.9x	13.1x	13.1x	13.1x	5.1%	4.4%	3.4%	4.0%	3.4x	0.0%	-	-
Average				**16.8x**	**17.8x**	**9.7x**	**18.0x**	**11.6x**	**11.2x**	**8.5x**	**11.0x**	**5.6%**	**6.3%**	**10.9%**	**6.5%**	**3.1x**	**0.5%**	**16.8%**	**15.5%**

[1]Quebecor Media proportionately consolidated
[2]Estimates are Thomson One consensus. Verizon pro forma consolidation of Verizon Wireless ownership
[3]EV/EBITDA calculated using adjusted EBITDA, which includes pension expense, recurring restructuring costs and capitalized subsidies and excludes non-recurring items
[4]EPS defined as normalized earnings per share after preferred dividends
[5]Free cash flow defined as cash from operations before working capital - capex - preferred dividends

Source: Company reports, RBC Capital Markets estimates, Thomson Financial

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

RBC Capital Markets

Exhibit 6: Summary of Key Operating and Financial Metrics for our Canadian Telecom Coverage

		2010	2011	2012	2013	2014	2015	2016	2017E	2018E
WIRELESS	**Blended ARPU ($)**									
	BCE	$53.23	$54.34	$56.39	$57.25	$59.92	$63.09	$65.46	$68.83	$69.86
	Rogers	$62.62	$60.20	$59.79	$59.58	$59.41	$59.71	$60.42	$61.60	$62.09
	TELUS	$57.63	$59.09	$60.38	$61.38	$62.24	$63.45	$65.09	$66.61	$66.61
	Network Revenue Growth (YoY)									
	BCE	9.2%	6.4%	6.5%	5.5%	6.4%	7.6%	5.7%	9.9%	6.5%
	Rogers	5.2%	0.5%	1.8%	0.4%	-0.1%	2.3%	5.2%	6.7%	4.2%
	TELUS	5.0%	8.5%	7.3%	5.1%	6.5%	4.8%	3.9%	6.2%	2.8%
	Network EBITDA Margins (%)									
	BCE	38%	38%	42%	44%	45%	45%	45%	46%	47%
	Rogers	48%	46%	46%	47%	48%	47%	45%	45%	45%
	TELUS	44%	44%	46%	47%	46%	46%	46%	47%	48%
	Capex Intensity (%)									
	BCE	9.8%	11.8%	11.4%	10.9%	10.9%	10.4%	10.2%	9.4%	11.0%
	Rogers	13.4%	16.7%	15.4%	11.9%	13.4%	11.3%	8.9%	10.1%	10.5%
	TELUS	9.2%	9.2%	12.1%	11.5%	12.5%	12.8%	13.7%	11.6%	10.9%
WIRELINE	**Revenue Growth (YoY)**									
	BCE	0.3%	-0.7%	-3.8%	-1.2%	-0.3%	-0.5%	-1.3%	3.5%	1.0%
	Cogeco	11.5%	8.7%	5.4%	3.2%	2.4%	0.6%	0.4%	2.2%	0.9%
	Manitoba Telecom	-3.2%	2.2%	-0.2%	0.2%	3.4%	1.7%	0.8%	-	-
	Quebecor	10.0%	7.3%	6.5%	7.2%	1.4%	-1.7%	0.4%	0.9%	1.2%
	Rogers	3.6%	3.9%	1.5%	3.5%	-0.2%	-0.1%	-0.5%	1.7%	3.9%
	Shaw	11.3%	5.7%	3.2%	2.3%	3.0%	0.5%	0.6%	1.4%	4.0%
	TELUS	-2.2%	3.6%	2.9%	3.8%	2.7%	2.7%	2.4%	1.5%	2.6%
	EBITDA Margins (%)									
	BCE	38.7%	39.1%	38.4%	37.6%	40.1%	40.8%	41.7%	41.8%	43.5%
	Cogeco	44.5%	46.9%	48.3%	49.8%	51.1%	51.2%	52.0%	52.3%	52.5%
	Manitoba Telecom	51.8%	50.2%	50.5%	47.9%	47.1%	39.2%	41.4%	-	-
	Quebecor	48.8%	49.9%	50.9%	48.8%	50.4%	50.6%	51.1%	51.8%	52.3%
	Rogers	44.7%	46.8%	47.8%	49.4%	48.0%	47.8%	48.5%	48.4%	47.9%
	Shaw	47.5%	46.9%	44.1%	47.2%	49.2%	45.4%	45.0%	44.1%	44.1%
	TELUS	34.2%	31.9%	29.4%	27.2%	27.4%	27.9%	28.6%	29.4%	29.4%
	Capex Intensity (%)									
	BCE	18.5%	18.6%	21.5%	22.3%	23.5%	22.9%	24.3%	24.2%	23.5%
	Cogeco	29.8%	29.8%	26.3%	18.8%	17.8%	19.6%	18.4%	15.4%	16.8%
	Manitoba Telecom	25.0%	18.9%	22.3%	19.8%	20.9%	17.9%	17.9%	-	-
	Quebecor	22.4%	25.3%	26.1%	16.6%	19.7%	21.6%	24.8%	27.7%	28.2%
	Rogers	19.2%	22.6%	24.8%	31.8%	30.4%	29.7%	31.5%	29.4%	27.4%
	Shaw	25.9%	22.9%	25.4%	26.5%	29.4%	22.3%	21.3%	22.0%	21.2%
	TELUS	25.6%	26.3%	24.2%	25.7%	27.3%	29.3%	33.8%	35.3%	33.8%
MEDIA	**Revenue Growth (%)**									
	BCE	n/a	n/a	41.6%	17.1%	14.9%	1.3%	3.6%	1.3%	1.3%
	Quebecor	1.0%	-0.9%	-3.3%	-8.3%	-2.9%	16.0%	0.5%	-4.3%	0.4%
	Rogers	6.7%	7.3%	0.6%	5.2%	7.2%	13.9%	3.2%	3.1%	-0.1%
	Shaw	-5.7%	0.2%	18.2%	5.0%	-0.9%	-1.5%	-	-	-

		2010	2011	2012	2013	2014	2015	2016	2017E	2018E
WIRELESS	**Total Wireless Subcribers (000s)**									
	BCE	7,242	7,427	7,681	7,778	8,119	8,246	8,469	9,097	9,338
	Rogers	8,977	9,335	9,437	9,503	9,450	9,877	10,274	10,656	10,960
	TELUS	6,971	7,340	7,670	7,807	8,281	8,457	8,585	8,874	8,989
	Postpaid Wireless Subcribers (000s)									
	BCE	5,541	5,975	6,425	6,678	7,110	7,375	7,691	8,324	8,614
	Rogers	7,325	7,574	7,846	8,074	8,073	8,271	8,557	8,909	9,193
	TELUS	5,705	6,130	6,543	6,751	7,108	7,352	7,550	7,913	8,074
	Postpaid Net Additions (000s)									
	BCE	500	434	457	378	312	265	315	325	290
	Rogers	319	269	268	228	(1)	106	286	352	285
	TELUS	415	425	414	378	357	244	243	253	162
	Postpaid Churn (%)									
	BCE	1.33%	1.47%	1.28%	1.26%	1.22%	1.26%	1.24%	1.24%	1.20%
	Rogers	1.18%	1.32%	1.29%	1.24%	1.27%	1.27%	1.22%	1.17%	1.20%
	TELUS	1.13%	1.31%	1.09%	1.03%	0.93%	0.89%	0.89%	0.89%	0.95%
WIRELINE	**Television Net Additions (000s)**									
	BCE	71	68	69	122	153	107	6	(1)	5
	Cogeco	10	3	(15)	(28)	(38)	(32)	(26)	(13)	(20)
	Manitoba Telecom	3	6	2	8	3	(2)	(2)	-	-
	Quebecor	35	50	(7)	(30)	(43)	(45)	(46)	(37)	(35)
	Rogers	4	(14)	(83)	(127)	(103)	(128)	(76)	(74)	(19)
	Shaw	7	(48)	(70)	(116)	(106)	(153)	(132)	(47)	(36)
	TELUS	144	196	170	137	101	89	54	41	33
	Telephony Net Additions (000s)									
	BCE	(386)	(374)	(457)	(402)	(465)	(438)	(415)	(411)	(376)
	Cogeco	76	61	53	13	(15)	(13)	(16)	(15)	(15)
	Manitoba Telecom	(27)	(20)	(27)	(20)	(16)	(24)	(25)	-	-
	Quebecor	100	91	60	21	(7)	(33)	(63)	(57)	(55)
	Rogers	(12)	(1)	23	42	(3)	(60)	4	(6)	(10)
	Shaw	237	137	131	53	15	(63)	(54)	(23)	(20)
	TELUS	(227)	(146)	(188)	(151)	(85)	(116)	(120)	(117)	(117)
	Internet Net Additions (000s)									
	BCE	6	(17)	1	29	160	155	85	80	76
	Cogeco	44	42	33	16	18	25	29	35	31
	Manitoba Telecom	(2)	(1)	1	12	8	3	7	-	-
	Quebecor	82	80	55	31	18	31	45	52	47
	Rogers	64	83	73	63	50	37	97	120	108
	Shaw	110	54	35	28	40	22	15	32	43
	TELUS	14	57	74	61	74	86	63	76	64
MEDIA	**EBITDA Margins (%)**									
	BCE	0.0%	21.7%	25.7%	26.7%	25.0%	24.3%	24.1%	23.7%	23.4%
	Quebecor	18.6%	13.9%	10.8%	11.4%	6.7%	7.6%	6.8%	4.6%	5.4%
	Rogers	9.8%	11.2%	11.7%	9.4%	7.2%	8.3%	7.9%	9.6%	8.5%
	Shaw	29.6%	28.2%	31.5%	31.9%	32.2%	31.7%	-	-	-

Notes (i) Effective 2015, Manitoba Telecom wireline revenue growth and EBITDA margins are consistent with new disclosure. Prior to 2015, numbers are for MTS. Manitoba Telecom capex intensity includes wireless; (ii) Cogeco data for Canadian Cable Services only; (iii) Shaw wireline capex comprises Consumer & Business Network Services; (iv) Segmented capex intensity excludes spectrum and is calculated as a percentage of total segmented revenue; (v) BCE 2014 figures restated to include Bell Aliant in Bell segmented results and operating metrics; (vi) BCE 2017E and 2018E include Manitoba Telecom.
Source: Company reports, RBC Capital Markets estimates

Exhibit 7: Income Statement Summary

Shaw Communications Income Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E	'15-'18E CAGR
Revenue														
Consumer	3,768	3,752	943	934	935	938	3,750	947	933	940	955	3,776	3,912	
Business Network Services	484	520	136	137	136	140	549	144	146	146	149	584	625	
Business Infrastructure Services	-	246	73	89	86	86	334	90	91	95	96	373	404	
Wireless	-	-	-	-	132	148	280	138	140	144	150	572	670	
Media	1,096	1,080	294	-	-	-	294	-	-	-	-	-	-	
Intersegment	(104)	(110)	(27)	(9)	(6)	(6)	(48)	(6)	(6)	(6)	(6)	(24)	(24)	
Total	**5,235**	**5,488**	**1,419**	**1,151**	**1,283**	**1,306**	**5,159**	**1,313**	**1,304**	**1,319**	**1,345**	**5,281**	**5,587**	**0.6%**
EBITDA[1]														
Consumer	1,669	1,685	419	403	427	418	1,667	405	403	410	412	1,630	1,690	
Business Network Services	240	256	64	66	66	70	266	72	73	73	74	292	312	
Business Infrastructure Services	86	95	25	33	33	32	123	32	35	36	37	140	158	
Wireless	-	-	-	-	29	29	58	30	29	30	32	121	147	
Media	353	342	118	-	-	-	118	-	-	-	-	-	-	
Total	**2,348**	**2,378**	**626**	**502**	**555**	**549**	**2,232**	**539**	**540**	**549**	**555**	**2,182**	**2,308**	**-1.0%**
Depreciation & Amortization	(765)	(895)	(230)	(231)	(250)	(253)	(964)	(255)	(265)	(266)	(268)	(1,054)	(987)	
EBIT	**1,583**	**1,483**	**396**	**271**	**305**	**296**	**1,268**	**284**	**275**	**282**	**287**	**1,128**	**1,321**	**-3.8%**
Financial Expense and Other	(379)	(291)	(78)	(92)	(205)	(94)	(372)	(194)	(79)	(75)	(75)	(423)	(352)	
EBT	1,204	1,192	318	179	100	202	896	90	196	207	212	705	970	-6.6%
Income Tax	(308)	(294)	(82)	(44)	(17)	(58)	(201)	(28)	(58)	(54)	(55)	(195)	(252)	
Non-controlling Interests	(30)	(24)	(9)	(8)	-	-	(17)	-	-	-	-	-	-	
Preferred Dividends	(13)	(13)	(3)	(3)	(4)	(3)	(13)	(2)	(2)	(4)	(3)	(11)	(11)	
Equity Income/(Loss)	-	(56)	(18)	(19)	(25)	-	(62)	27	9	31	12	79	98	
Net Income from Continuing Operations	**853**	**805**	**206**	**105**	**54**	**141**	**603**	**87**	**145**	**180**	**166**	**578**	**805**	**0.0%**
Adjusted EPS	**$1.88**	**$1.85**	**$0.43**	**$0.22**	**$0.29**	**$0.29**	**$1.23**	**$0.35**	**$0.30**	**$0.37**	**$0.34**	**$1.35**	**$1.62**	**-4.3%**
Weighted Average Shares Outstanding (MM)	457	468	481	477	482	485	484	487	489	492	493	491	496	

YoY Growth	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Revenue													
Consumer	-	-0.4%	1.7%	-0.3%	-1.6%	0.0%	-0.1%	0.4%	-0.1%	0.6%	1.9%	0.7%	3.6%
Business Network Services	-	7.4%	7.1%	6.2%	3.8%	5.3%	5.6%	5.9%	6.6%	7.1%	6.3%	6.5%	6.9%
Business Infrastructure Services	-	-	32.7%	48.3%	36.5%	26.5%	35.8%	23.3%	2.2%	10.9%	12.0%	11.6%	8.5%
Wireless	-	-	-	-	-	-	-	-	-	9.1%	1.4%	104.3%	17.0%
Media	-0.9%	-1.5%	-4.2%	-100.0%	-100.0%	-100.0%	-72.8%	-100.0%	-	-	-	-100.0%	-
	1.8%	**4.8%**	**2.2%**	**-17.4%**	**-9.6%**	**-2.8%**	**-6.0%**	**-7.5%**	**13.3%**	**2.8%**	**3.0%**	**2.4%**	**5.8%**
EBITDA[1]													
Consumer	-	1.0%	3.5%	-1.2%	-2.5%	-3.7%	-1.1%	-3.3%	0.0%	-4.1%	-1.4%	-2.2%	3.7%
Business Network Services	-	6.7%	4.9%	1.5%	4.8%	4.5%	3.9%	12.5%	10.6%	10.3%	6.3%	9.9%	6.9%
Business Infrastructure Services	-	-	19.0%	32.0%	32.0%	33.3%	29.5%	28.0%	6.1%	9.8%	14.4%	13.7%	12.8%
Wireless	-	-	-	-	-	-	-	-	-	4.3%	8.7%	108.2%	22.0%
Media	0.0%	-3.1%	-0.8%	-	-100.0%	-100.0%	-65.5%	-100.0%	-	-	-	-100.0%	-
	5.8%	**1.3%**	**3.3%**	**0.8%**	**-13.7%**	**-4.2%**	**-6.1%**	**-13.9%**	**7.6%**	**-1.1%**	**1.0%**	**-2.2%**	**5.7%**
EBIT	**15.9%**	**-6.3%**	**2.6%**	**0.0%**	**-27.6%**	**-14.7%**	**-14.5%**	**-28.3%**	**1.5%**	**-7.4%**	**-3.1%**	**-11.0%**	**17.1%**
Net Income from Continuing Operations	**16.4%**	**-5.6%**	**-4.6%**	**5.0%**	**-66.7%**	**-47.6%**	**-25.1%**	**-57.8%**	**38.1%**	**233.8%**	**17.9%**	**-4.1%**	**39.1%**
Adjusted EPS	**19.6%**	**-1.7%**	**-8.2%**	**-18.7%**	**-29.8%**	**-48.9%**	**-33.3%**	**-18.0%**	**34.7%**	**24.9%**	**15.4%**	**9.5%**	**20.0%**

Margins (% Revenue)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
EBITDA													
Consumer	44.3%	44.9%	44.4%	43.1%	45.7%	44.6%	44.5%	42.8%	43.2%	43.5%	43.1%	43.2%	43.2%
Business Network Services	49.6%	49.2%	47.1%	48.2%	48.5%	50.0%	48.5%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Business Infrastructure Services	-	38.6%	34.2%	37.1%	38.4%	37.2%	36.8%	35.6%	38.5%	38.0%	38.0%	37.5%	39.0%
Wireless	-	-	-	-	22.0%	19.6%	20.7%	21.7%	20.7%	21.0%	21.0%	21.1%	22.0%
Media	32.2%	31.7%	40.1%	-	-	-	40.1%	-	-	-	-	-	-
	44.8%	**43.3%**	**44.1%**	**43.6%**	**43.3%**	**42.0%**	**43.3%**	**41.1%**	**41.4%**	**41.6%**	**41.2%**	**41.3%**	**41.3%**
EBIT	**30.2%**	**27.0%**	**27.9%**	**23.5%**	**23.8%**	**22.7%**	**24.6%**	**21.6%**	**21.1%**	**21.4%**	**21.3%**	**21.4%**	**23.6%**
Net Income from Continuing Operations	**16.3%**	**14.7%**	**14.5%**	**9.1%**	**4.2%**	**10.8%**	**11.7%**	**6.6%**	**11.1%**	**13.7%**	**12.4%**	**11.0%**	**14.4%**

[1]Consolidated EBITDA excludes wireless

Source: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 8: Cash Flow and Balance Sheet

Shaw Communications Cash Flow Statement Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Net Inc/(Dec) in Cash & Equivalents													
Cash flow from operating activities	1,740	1,540	304	477	427	469	1,677	263	444	372	544	1,623	1,696
Cash flow from investing activities	(1,029)	(1,904)	(324)	(535)	(65)	(316)	(1,240)	(301)	(343)	(402)	(402)	(1,447)	223
Cash flow from financing activities	(496)	124	(95)	172	(435)	(72)	(430)	(78)	230	(100)	(99)	(48)	(400)
	215	**(240)**	**(115)**	**114**	**(73)**	**81**	**7**	**(116)**	**331**	**(130)**	**43**	**128**	**1,519**
Ending Cash & Equivalents													
Beginning cash & equivalents	422	637	398	283	357	324	398	405	289	620	490	405	533
Net inc/(dec) in cash & equivalents	215	(240)	(115)	114	(73)	81	7	(116)	331	(130)	43	128	1,519
Effect of currency translation / other	-	1	-	(40)	40	-	-	-	-	-	-	-	-
	637	**398**	**283**	**357**	**324**	**405**	**405**	**289**	**620**	**490**	**533**	**533**	**2,052**

Free Cash Flow Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Free Cash Flow													
Cash from operations before working capital	1,524	1,637	406	363	403	369	1,541	414	424	421	428	1,687	1,706
Less: capex and equipment subsidies	(911)	(1,044)	(270)	(293)	(306)	(406)	(1,275)	(313)	(312)	(382)	(382)	(1,388)	(1,467)
Less: preferred dividends	(13)	(13)	(3)	(3)	(4)	(3)	(13)	(2)	(2)	(4)	(3)	(11)	(11)
Free Cash Flow	**600**	**580**	**133**	**67**	**93**	**(40)**	**253**	**99**	**110**	**35**	**43**	**287**	**227**
Less: dividends	(339)	(369)	(95)	(95)	(96)	(94)	(380)	(96)	(95)	(96)	(96)	(384)	(389)
Free Cash Flow (Post-Dividends)	**261**	**211**	**38**	**(28)**	**(3)**	**(134)**	**(127)**	**3**	**15**	**(61)**	**(53)**	**(96)**	**(161)**
FCF Per Share (Pre-Dividends)	**$1.31**	**$1.24**	**$0.28**	**$0.14**	**$0.19**	**($0.08)**	**$0.52**	**$0.20**	**$0.22**	**$0.07**	**$0.09**	**$0.58**	**$0.46**

Balance Sheet Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Assets													
Current Assets	1,359	1,023	967	3,378	807	882	882	775	1,126	1,001	1,038	1,038	2,551
Fixed and Other Assets	11,891	13,541	13,607	11,615	14,267	14,357	14,357	14,616	14,635	14,801	14,946	14,946	13,832
Total Assets	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,239**	**15,239**	**15,391**	**15,761**	**15,803**	**15,984**	**15,984**	**16,383**
Liabilities and Shareholders' Equity													
Liabilities	8,548	9,155	9,030	9,392	8,824	8,944	8,944	9,657	9,955	9,917	10,032	10,032	10,026
Shareholders' Equity	4,702	5,409	5,544	5,601	6,250	6,295	6,295	5,734	5,806	5,886	5,953	5,953	6,358
Total Liabilities and Shareholders' Equity	**13,250**	**14,564**	**14,574**	**14,993**	**15,074**	**15,239**	**15,239**	**15,391**	**15,761**	**15,803**	**15,984**	**15,984**	**16,383**

Net Debt Summary	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Net Debt													
Bank indebtedness	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	-	608	608	303	407	412	412	412	412	412	412	412	412
FX swap	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	4,690	5,061	5,075	5,656	5,193	5,200	5,200	5,247	5,536	5,536	5,536	5,536	5,536
Preferred shares	300	300	300	300	300	300	300	300	300	300	300	300	300
Less: cash & equivalents	(637)	(398)	(283)	(357)	(324)	(405)	(405)	(289)	(620)	(490)	(533)	(533)	(2,052)
	4,353	**5,571**	**5,700**	**5,902**	**5,576**	**5,507**	**5,507**	**5,670**	**5,628**	**5,758**	**5,715**	**5,715**	**4,196**

Source: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 9: Summary of Financial Ratios

Shaw Communications Financial Ratios Summary (C$MM Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E
Dividend per Common Share	**$1.07**	**$1.16**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.20**	**$1.20**
YoY	7.6%	8.3%	6.7%	6.7%	1.3%	1.3%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
% EPS from continuing operations	56.6%	62.4%	70.0%	136.3%	102.2%	102.7%	97.2%	85.4%	101.2%	81.8%	89.0%	88.8%	74.0%
% Free cash flow[1]	81.3%	93.3%	108.5%	213.6%	155.5%	-	229.6%	147.6%	133.4%	417.6%	343.6%	205.2%	261.8%
Book Value per Share													
Total shareholders' equity	4,702	5,409	5,544	5,601	6,250	6,295	6,295	5,734	5,806	5,886	5,953	5,953	6,358
Shares outstanding (MM)	462	474	488	478	484	486	486	488	491	492	493	493	498
	$10.18	**$11.41**	**$11.36**	**$11.71**	**$12.93**	**$12.95**	**$12.95**	**$11.74**	**$11.82**	**$11.95**	**$12.06**	**$12.06**	**$12.78**
YoY	10.2%	12.2%	8.1%	9.2%	17.7%	13.4%	13.4%	3.4%	0.9%	-7.5%	-6.8%	-6.8%	
Net Debt / LTM EBITDA[2, 3]													
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,507	5,507	5,670	5,628	5,758	5,715	5,715	4,196
LTM EBITDA[3]	2,262	2,378	2,340	2,344	2,256	2,232	2,232	2,145	2,183	2,177	2,182	2,182	2,150
	1.92x	**2.34x**	**2.44x**	**2.52x**	**2.47x**	**2.47x**	**2.47x**	**2.64x**	**2.58x**	**2.64x**	**2.62x**	**2.62x**	**1.95x**
Net Debt / Total Capitalization[2, 4]													
Net debt[2]	4,353	5,571	5,700	5,902	5,576	5,507	5,507	5,670	5,628	5,758	5,715	5,715	4,196
Total capitalization[4]	9,055	10,980	11,244	11,503	11,826	11,802	11,802	11,404	11,434	11,644	11,668	11,668	10,554
	48.1%	**50.7%**	**50.7%**	**51.3%**	**47.2%**	**46.7%**	**46.7%**	**49.7%**	**49.2%**	**49.4%**	**49.0%**	**49.0%**	**39.8%**
Capex Intensity													
Capex[5]	1,060	1,018	295	248	281	298	1,122	267	306	382	382	1,336	1,467
Revenue	5,235	5,488	1,419	1,151	1,283	1,306	5,159	1,313	1,304	1,319	1,345	5,281	5,587
	20.2%	**18.5%**	**20.8%**	**21.5%**	**21.9%**	**22.8%**	**21.7%**	**20.3%**	**23.5%**	**28.9%**	**28.4%**	**25.3%**	**26.3%**
Free Cash Flow / EBITDA[1, 3]													
Free cash flow[1]	600	580	133	67	93	(40)	253	99	110	35	43	287	227
EBITDA[3]	2,348	2,378	626	502	555	549	2,232	539	540	549	555	2,182	2,308
	25.6%	**24.4%**	**21.2%**	**13.3%**	**16.8%**	**-7.3%**	**11.3%**	**18.4%**	**20.4%**	**6.4%**	**7.8%**	**13.2%**	**9.9%**
Effective Tax Rate													
Income tax	308	294	82	44	17	58	201	28	58	54	55	195	252
EBT	1,204	1,192	318	179	100	202	896	90	196	207	212	705	970
	25.6%	**24.7%**	**25.8%**	**24.6%**	**17.0%**	**28.7%**	**22.4%**	**31.1%**	**29.6%**	**26.0%**	**26.0%**	**27.7%**	**26.0%**
ROE[6]	**19.2%**	**15.9%**					**10.3%**					**6.8%**	**2.8%**
ROIC[7]	**12.4%**	**11.2%**					**8.4%**					**6.9%**	**7.0%**

[1]Free Cash Flow (FCF) defined as cash from operations before changes in non-cash WC - capex and equipment subsidies - preferred dividends
[2]Net Debt defined as current portion of long-term debt + fx swap + long-term debt + preferred shares - cash & equivalents
[3]Consolidated EBITDA excludes wireless
[4]Total Capitalization defined as net debt + shareholders' equity
[5]Capex includes additions to PPE
[6]ROE defined as (net income from continuing operations) / (average shareholders' equity)
[7]ROIC defined as (EBIT*(1-T)) / (average total capital)

Source: Company reports, RBC Capital Markets estimates

Exhibit 10: Summary of Key Operating Metrics

Shaw Communications Operating Metrics (000s Unless Stated, Year Ended August 31)	2014	2015	Q1/16	Q2/16	Q3/16	Q4/16	2016	Q1/17	Q2/17	Q3/17E	Q4/17E	2017E	2018E	'15-'18E CAGR
Homes Passed	4,095	4,175	4,195	4,215	4,235	4,255	4,255	4,275	4,295	4,315	4,335	4,335	4,415	1.9%
Cable	1,958	1,842	1,821	1,782	1,756	1,732	1,732	1,716	1,704	1,705	1,708	1,708	1,693	-2.8%
Consumer	1,867	1,765	1,746	1,721	1,693	1,671	1,671	1,658	1,651	1,653	1,658	1,658	1,648	
Business	90	78	75	61	63	61	61	58	53	51	49	49	44	
Internet	1,930	1,953	1,961	1,964	1,955	1,968	1,968	1,982	1,991	1,987	2,000	2,000	2,043	1.5%
Consumer	1,762	1,772	1,782	1,786	1,777	1,788	1,788	1,805	1,818	1,816	1,831	1,831	1,869	
Business	169	180	179	178	178	180	180	177	173	171	169	169	174	
Satellite	881	843	831	827	828	822	822	806	802	806	799	799	778	-2.7%
Consumer	850	812	799	793	797	791	791	775	770	774	768	768	748	
Business	30	31	32	34	31	31	31	31	32	32	31	31	30	
Telephony	1,375	1,312	1,292	1,281	1,271	1,258	1,258	1,246	1,244	1,239	1,235	1,235	1,215	-2.5%
Consumer	1,111	1,027	1,005	991	976	957	957	939	932	922	912	912	872	
Business	265	285	287	290	295	301	301	307	312	317	323	323	343	
Wireless	-	938	940	980	1,003	1,043	1,043	1,053	1,086	1,104	1,124	1,124	1,299	
Subscribers (YoY Growth)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17**	**Q2/17**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Homes Passed	2.2%	2.0%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	
Cable	-4.0%	-5.9%	-6.2%	-6.5%	-6.7%	-6.0%	-6.0%	-5.8%	-4.4%	-2.9%	-1.4%	-1.4%	-0.9%	
Consumer		-5.5%	-5.9%	-5.6%	-5.8%	-5.3%	-5.3%	-5.1%	-4.1%	-2.4%	-0.8%	-0.8%	-0.6%	
Business		-14.0%	-13.6%	-27.2%	-24.6%	-21.3%	-21.3%	-22.6%	-12.7%	-18.0%	-19.1%	-19.1%	-10.1%	
Internet	2.1%	1.1%	0.8%	1.1%	0.3%	0.8%	0.8%	1.1%	1.4%	1.6%	1.6%	1.6%	2.2%	
Consumer		0.6%	0.5%	1.0%	0.2%	0.9%	0.9%	1.3%	1.8%	2.2%	2.4%	2.4%	2.1%	
Business		7.0%	4.7%	2.2%	1.4%	-0.2%	-0.2%	-1.2%	-2.6%	-3.9%	-6.0%	-6.0%	3.0%	
Satellite	-2.5%	-4.2%	-3.7%	-3.2%	-2.7%	-2.6%	-2.6%	-3.0%	-3.0%	-2.7%	-2.8%	-2.8%	-2.6%	
Consumer		-4.5%	-3.9%	-3.4%	-2.8%	-2.6%	-2.6%	-3.0%	-2.9%	-2.9%	-2.9%	-2.9%	-2.6%	
Business		3.1%	2.8%	2.5%	-0.6%	-1.4%	-1.4%	-2.4%	-6.4%	0.2%	0.0%	0.0%	-3.2%	
Telephony	1.1%	-4.6%	-6.0%	-6.0%	-5.3%	-4.1%	-4.1%	-3.6%	-2.9%	-2.5%	-1.8%	-1.8%	-1.6%	
Consumer		-7.5%	-9.0%	-9.0%	-8.1%	-6.9%	-6.9%	-6.6%	-5.9%	-5.5%	-4.7%	-4.7%	-4.4%	
Business		7.6%	6.5%	5.9%	5.5%	5.8%	5.8%	6.8%	7.6%	7.4%	7.3%	7.3%	6.2%	
Wireless	-	-	-	-	-	11.2%	11.2%	12.0%	10.8%	10.0%	7.7%	7.7%	15.6%	
Penetration Rates (% Homes Passed)	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17**	**Q2/17**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Cable	47.8%	44.1%	43.4%	42.3%	41.5%	40.7%	40.7%	40.1%	39.7%	39.5%	39.4%	39.4%	38.3%	
Internet	47.1%	46.8%	46.7%	46.6%	46.2%	46.2%	46.2%	46.3%	46.4%	46.0%	46.1%	46.1%	46.3%	
Satellite	21.5%	20.2%	19.8%	19.6%	19.6%	19.3%	19.3%	18.8%	18.7%	18.7%	18.4%	18.4%	17.6%	
Telephony	33.6%	31.4%	30.8%	30.4%	30.0%	29.6%	29.6%	29.1%	29.0%	28.7%	28.5%	28.5%	27.5%	
Net Additions	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17**	**Q2/17**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Homes Passed	87	80	20	20	20	20	80	20	20	20	20	80	80	
Cable	(83)	(115)	(21)	(39)	(26)	(24)	(110)	(16)	(12)	1	3	(24)	(15)	
Consumer		(103)	(18)	(26)	(27)	(22)	(93)	(13)	(7)	3	5	(13)	(10)	
Business Network Services		(13)	(3)	(14)	1	(2)	(17)	(3)	(4)	(2)	(2)	(12)	(5)	
Internet	40	22	8	3	(8)	12	15	14	10	(5)	13	32	43	
Consumer		12	9	4	(9)	10	15	17	13	(3)	15	43	38	
Business Network Services		10	(1)	(2)	0	2	(0)	(3)	(4)	(2)	(2)	(11)	5	
Satellite	(23)	(37)	(13)	(4)	1	(7)	(22)	(16)	(4)	3	(7)	(23)	(21)	
Consumer		(38)	(13)	(6)	4	(6)	(21)	(16)	(5)	4	(6)	(23)	(20)	
Business Network Services		1	0	2	(3)	(0)	(0)	(0)	1	(1)	(1)	0	(1)	
Telephony	15	(63)	(20)	(11)	(10)	(13)	(54)	(12)	(1)	(5)	(4)	(23)	(20)	
Consumer		(83)	(22)	(14)	(15)	(19)	(71)	(18)	(7)	(10)	(10)	(45)	(40)	
Business Network Services		20	2	3	5	6	17	5	6	5	6	22	20	
Wireless	-	169	33	40	24	40	136	9	33	18	20	80	175	
ARPU	**2014**	**2015**	**Q1/16**	**Q2/16**	**Q3/16**	**Q4/16**	**2016**	**Q1/17**	**Q2/17**	**Q3/17E**	**Q4/17E**	**2017E**	**2018E**	
Blended Consumer ARPU	\$55.64	\$57.02	\$58.71	\$58.62	\$59.18	\$59.85	\$59.06	\$60.81	\$60.11	\$60.66	\$61.64	\$60.66	\$63.26	3.5%
Blended Business ARPU	\$77.01	\$76.82	\$79.03	\$80.36	\$80.14	\$81.79	\$79.74	\$83.77	\$85.11	\$84.95	\$86.70	\$84.98	\$89.13	5.1%
Blended Wireless ARPU	\$31.42	\$34.99	\$37.40	\$36.84	\$36.30	\$37.40	\$37.10	\$36.84	\$36.44	\$36.12	\$37.77	\$36.73	\$38.64	3.4%

Source: Company reports, RBC Capital Markets estimates

Valuation

Our one-year price target of $31.00 is based on the average of three approaches: (1) applying a 16.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 7.5x, 8.5x, 9.0x, and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest, and wireless, respectively; and (3) discounted FCF through F2023E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment. The total implied return to our price target supports an Outperform rating.

Risks to rating and price target

Risks to our rating and price target include: 1) greater than expected wireless capex and/or the inability to execute on wireless; 2) greater-than-expected market share gains from the rollout of TELUS Optik TV and TELUS Optik Internet across the Shaw cable footprint; 3) the inability to realize additional annual cost savings to maintain cable margins; 4) greater-than-expected telephony and television substitution; and 5) the emergence of irrational pricing in the residential telephony, television, and/or Internet markets.

Company description

Shaw Communications is one of Canada's largest telecom operators with approximately 1.7 million cable subscribers, 1.8 million Internet subscribers and 0.9 million telephony subscribers in Western Canada, and approximately 800k satellite subscribers.

RBC Capital Markets

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An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average. Although RBC Capital Markets' ratings of Top Pick (TP)/Outperform (O), Sector Perform (SP), and Underperform (U) most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis.

Ratings

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Underperform (U): Returns expected to be materially below sector average over 12 months.

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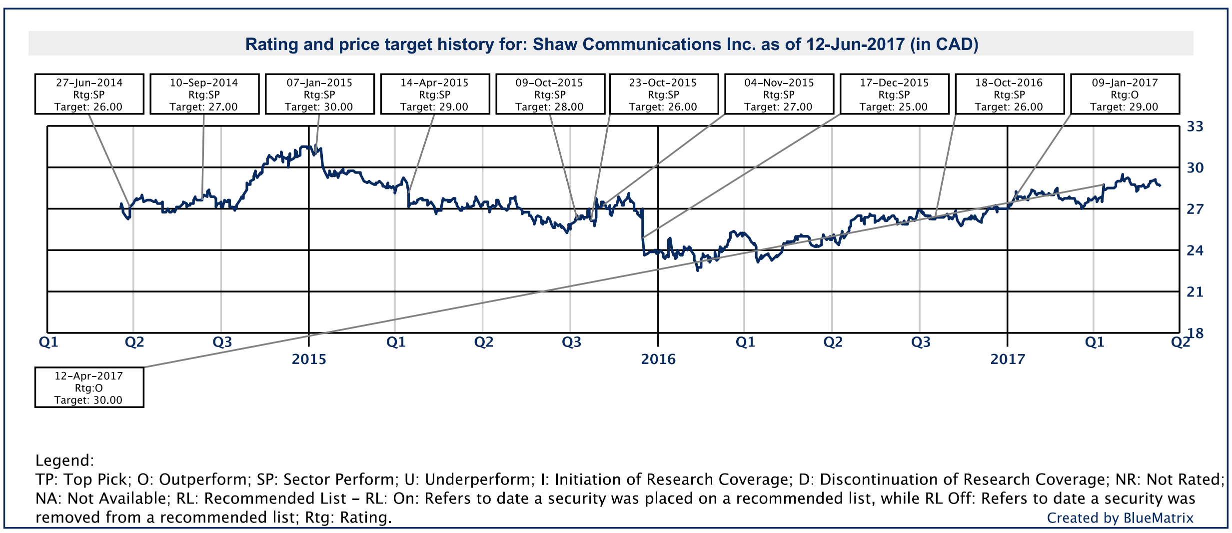
As of 31-Mar-2017

			Investment Banking Serv./Past 12 Mos.	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY [Top Pick & Outperform]	**843**	**51.94**	**285**	**33.81**
HOLD [Sector Perform]	**679**	**41.84**	**149**	**21.94**
SELL [Underperform]	**101**	**6.22**	**8**	**7.92**



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Shaw Communications Inc.

Valuation

Our one-year price target of $31.00 is based on the average of three approaches: (1) applying a 16.0x multiple to our blended two-year forward adjusted EPS estimates; (2) applying target EV/EBITDA multiples of 7.5x, 8.5x, 9.0x, and 7.5x to our EBITDA estimates for Consumer, Business Network Services, ViaWest, and wireless, respectively; and (3) discounted FCF through F2023E factoring in a WACC of 8.0% and terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low interest rate environment. The total implied return to our price target supports an Outperform rating.

Risks to rating and price target

Risks to our rating and price target include: 1) greater than expected wireless capex and/or the inability to execute on wireless; 2) greater-than-expected market share gains from the rollout of TELUS Optik TV and TELUS Optik Internet across the Shaw cable footprint; 3) the inability to realize additional annual cost savings to maintain cable margins; 4) greater-than-expected telephony and television substitution; and 5) the emergence of irrational pricing in the residential telephony, television, and/or Internet markets.

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This is Exhibit 75 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Shaw Communications

SJR.B-TSX SJR-NYSE	Rating	Price: Oct-26	Target	Total Rtn
	Market Perform	$27.51	$30.00	13%

No Capex Stepdown in Sight

Bottom Line: Q4 results reflect a continuation of recent trends, with subscriber growth trumping margins. With a current broadband speed advantage over the breadth of its plant, the rollout of Comcast's X1 video platform (BlueSky), and a strong balance sheet, Shaw has a clear go-to-market strategy in wireline after years of inconsistency. We believe adding a wireless product will improve the long-term growth profile of the company, but heavy network investments are expected to continue for the foreseeable future. Our target price of $30 is based on ~8.5x F2019E EBITDA, net of equipment subsidies.

Key Points

Q4 Results. Q4/F17 financial results were below expectations on margins, reflecting elevated promotional and marketing activity. Wireline and wireless subscriber metrics were relatively in line.

Outlook. F2018 guidance was in line with expectations. Shaw expects F2018 EBITDA to grow 5% to ~$2.1 billion (same as consensus), capex of ~$1.38 billion (consensus $1.34 billion) and reported FCF of ~$375 million (consensus $358 million). The company expects most of the EBITDA growth to be back-end loaded. Management indicated that capex is expected to remain elevated through F2019E (expectations were for a 13% decline to ~$1.16 billion).

Corporate Development. In July, Shaw closed the acquisition of Quebecor's 700MHz and 2.5GHz spectrum in Ontario, B.C., and Alberta for $430 million. In August, Shaw completed the sale of ViaWest valued at $2.3 billion (~$900 million in net proceeds). In September (post Q4), the company completed the sale of Shaw Tracking for ~US$20 million.

Forecasts. We forecast low to mid-single-digit EBITDA growth through F2019E.

Key Changes

Estimates	2018E	2019E
Revenue	$5,009	$5,176
Previous	*$5,008*	*$5,175*
EBITDA	$2,080	$2,155
Previous	*$2,070*	*$2,116*
EPS	$1.06	$1.17
Previous	*$1.02*	*$1.09*

BMO Capital Markets

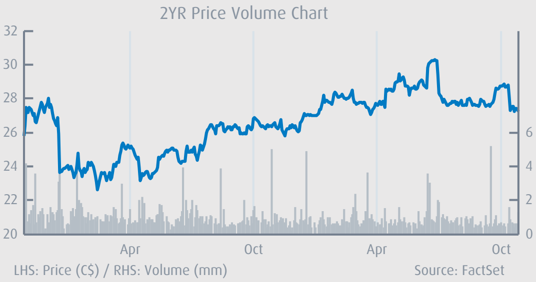
Telecom/Media/Cable

Tim Casey, CFA Analyst
tim.casey@bmo.com (416) 359-4860

Nicholas Kim
nicholas.kim@bmo.com (416) 359-4253

Ali Ladha, CPA, CA, CFA
ali.ladha@bmo.com (416) 359-5326

Legal Entity: BMO Nesbitt Burns Inc.



Company Data			in C$
Dividend	$1.19	Shares O/S (mm)	496.8
Yield	4.3%	Market Cap (mm)	$13,666
AD Vol. (mm)	1.39	Net Debt (mm)	$4,093

BMO Estimates (FY-Aug.) in C$	2016A	2017A	2018E	2019E
Revenue	$4,884	$4,882	$5,009↑	$5,176↑
EBITDA	$2,114	$1,997	$2,080↑	$2,155↑
EPS	$0.94	$1.12	$1.06↑	$1.17↑
CFPS	$3.24	$2.89	$3.41↑	$3.44↑
EV	$17,186	$16,661	$17,084↑	$17,238↑

Consensus Estimates	2016A	2017A	2018E	2019E
EPS			$1.28	$1.40

Valuation	2016A	2017A	2018E	2019E
EV/EBITDA	8.1x	8.3x	8.2x	8.0x
P/E	29.2x	24.7x	26.0x	23.5x
P/CFPS	8.5x	9.5x	8.1x	8.0x

QTR. EPS	Q1	Q2	Q3	Q4
2016A	$0.28	$0.24	$0.11	$0.31
2017A	$0.18	$0.30	$0.33	$0.30
2018E	$0.25	$0.27	$0.29	$0.25

Our Thesis

With X1 deployed, Shaw has a clear go-to-market strategy in wireline after years of inconsistency. We believe adding a wireless product to its business mix will improve the long term growth profile of the company. However, we expect an investment period will be required over the medium term, which will mitigate free cash flow.

Shaw Communications - Block Summary Model

Key Financial Metrics ($mm)	2016A	2017A	2018E	2019E
Revenue	4,884	4,882	5,009	5,176
Revenue Growth %	-11.0%	-0.0%	2.6%	3.3%
Adj. EBITDA	2,114	1,997	2,080	2,155
Adj. EBITDA Growth %	-11.1%	-5.5%	4.2%	3.6%
Adj. EBITDA Margin	43.3%	40.9%	41.5%	41.6%
Net Income	456	557	540	596
EPS	$0.94	$1.12	$1.06	$1.17
Net Debt	5,507	4,093	4,360	4,514
Capex	(1,198)	(1,183)	(1,380)	(1,350)
Free Cash Flow	357	237	313	359
Dividends	(380)	(385)	(591)	(591)
ND/EBITDA	2.6x	2.0x	2.1x	2.1x
Key Operating Metrics (000s)	**2016A**	**2017A**	**2018E**	**2019E**
Wireless Postpaid Net Additions	90	97	125	125
Wireless Total Net Additions	120	104	135	135
Wireless Postpaid Subscribers	667	764	889	1,014
Wireless Total Subscribers	1,043	1,140	1,282	1,417
Wireless Postpaid Churn %	2.00%	2.00%	2.00%	2.00%
Wireless Blended Churn %	2.00%	2.00%	2.00%	2.00%
Wireless Blended ARPU	$36.81	$37.00	$41.00	$45.00
Internet Net Additions	15	64	50	40
Internet Subscribers	1,968	2,032	2,082	2,122
Video Net Additions	(110)	(10)	13	13
Video Subscribers	1,732	1,722	1,735	1,748
Voice Net Additions	(54)	(5)	(15)	(15)
Voice Subscribers	1,258	1,253	1,238	1,223

Source: BMO Capital Markets, Company Reports

Scenarios

Valuation

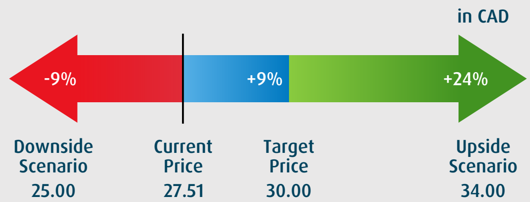
Our target price reflects ~8.5x our F2019E Adjusted EBITDA estimate, net of equipment subsidies.

Upside Scenario $34.00

Assumes accelerated pace of progress in key operating metrics and EBITDA/FCF growth.

Downside Scenario $25.00

Assumes wireless capex overruns and, in turn, pressure on free cash flow and dividend growth.



Key Catalysts

Accelerated pace of progress in wireline growth and operating metrics from X1 deployment; accelerated wireless growth (Freedom Mobile); spectrum/network sharing agreement; and/or a Shaw-branded wireless service signalling a high-quality network.

Company Description

Shaw operates Canada's second-largest cable company, predominantly in Western Canada. It owns Shaw Direct, a national DTH satellite service and it recently acquired Freedom Mobile (formerly WIND), a wireless provider in Ontario, B.C., and Alberta. Shaw is controlled by the Shaw family, with ~80% of the Class A voting shares.

SJR.B-TSX Research

Industry Research

Company Models

Investment Thesis

We rate Shaw Communications (SJR.B-TSX) shares Market Perform. With a current broadband speed advantage over the breadth of its plant, the rollout of Comcast's X1 video platform (BlueSky), and a strong balance sheet, Shaw has a clear go-to-market strategy in wireline after years of inconsistency. We believe adding a wireless product to its business mix will improve the long-term growth profile of the company. However, we expect an investment period will be required over the medium term, which will mitigate free cash flow and potentially dividend growth.

Q4/F17 and F2018 Guidance Highlights

Q4/F17 financial results below expectations on margins. Consolidated revenue increased 3% to $1,244 million (consensus $1,247 million) and adjusted EBITDA decreased 7% to $479 million (consensus $502 million). Continuing ops EPS were $0.30 (same as consensus) and $0.29 last year. All in, reported FCF from continuing ops (including Corus DRIP) was -$2 million versus $33 million last year.

F2018 guidance in line but F2019 capex outlook worse than consensus. For F2018, Shaw expects adjusted EBITDA to grow 5% to ~$2.1 billion (same as consensus), capex of ~$1.38 billion (consensus $1.34 billion), and reported FCF of ~$375 million (consensus $358 million). **Management expects most of the EBITDA growth to be *back-end loaded*.** For F2019, management indicated that capex is expected to be similar to F2018 (consensus expectations were for a 13% decline to ~$1.16 billion). Starting in Q1/F18, the company will combine the Consumer and Business Network Services segments into a Wireline segment.

Consumer segment financial results below expectations. Revenue was flat at $937 million and adjusted EBITDA down 11% to $374 million, reflecting elevated promotional and marketing activity. Consumer subscriber results were in line, with gains in Internet (+22k) and cable (+8k) partly offset by losses in voice (-5k) and DTH (-3k).

Business Network Services segment in line. Revenue increased 7% to $141 million and adjusted EBITDA was up 7% to $72 million. Business subscriber results were mixed, with losses in cable (-2k) and Internet (-2k) offset by a gains in voice (+8k) and DTH (+0.5k).

Wireless financial results in line. Revenue grew 16% to $172 million and adjusted EBITDA increased 14% to $33 million. Operating metrics were mixed, with postpaid net additions of +29k (+41k total; consensus +33k) and ARPU up 1% to $37.66.

ViaWest sale and 700MHz/2.5GHz spectrum acquisition completed. In July 2017, Shaw closed the acquisition of Quebecor's 700MHz and 2.5GHz spectrum in Ontario, B.C., and Alberta for $430 million. In August, Shaw completed the sale of ViaWest to Peak 10 (a GI Partners portfolio company) in a transaction valued at ~$2.3 billion (~$900 million in net proceeds). In September (post Q4), the company completed the sale of Shaw Tracking.

A summary of quarterly results and F2018 guidance is as follows:

Shaw Communications			
Summary Financials (in $mm's) and Subscriber Highlights (000's)			
	Q416	**Q417**	**Q417E**
Revenues:			
Consumer	938	937	930
Business Network	132	141	140
Wireless	148	172	170
Total Revenues	**1,212**	**1,244**	**1,234**
yr/yr growth	*-10%*	*3%*	*2%*
Reported EBITDA:			
Consumer	418	374	390
Business Network	67	72	70
Wireless	29	33	35
Total EBITDA	**514**	**479**	**495**
margin	*42%*	*39%*	*40%*
yr/yr growth	*-10%*	*-7%*	*-4%*
Amortization	224	247	265
Interest	64	63	75
EPS - adjusted	**$0.29**	**$0.30**	**$0.23**
Capex	(258)	(336)	(360)
Free cash flow - actual	212	20	109
Free cash flow - as reported	33	(2)	21
Cash dividends	(94)	(98)	(146)
Net Debt	5,507	4,093	
Subscribers Additions			
Video	(24)	5	5
Internet	12	20	10
Digital phone	(13)	3	0
Satellite	(7)	(3)	(6)
Wireless	40	41	34
Wireless ARPU	$37.40	$37.66	$38.85

Source: Company reports and BMO Capital Markets estimates.

Financial Metric	F2018 Guidance	F2018 Consensus	F2017 Results
Adjusted EBITDA	$2.1 billion	$2.1 billion	$1.997 billion
Capex	~$1.38 billion	~$1.34 billion	$1.225 billion
Free Cash Flow	~$375 million	~$358 million	$432 million

Source: Company Reports, consensus as per company's poll of analysts.

Segment Highlights

Consumer

- Revenue was flat at $937 million, reflecting annual price increases (August 2017) offset by the impact of lower phone and satellite Video RGUs, elevated promotional activity, and video product mix.
- Adjusted EBITDA decreased 11% to $374 million (margins compressed 465bps to 39.9%), reflecting higher promotional discounts and programming costs, which fully offset the impact of the August 2017 rate increases and incremental RGUs. We expect these promotional and marketing costs to remain high in the near term.
- Combined Consumer and Business segment capex was up 20% to $319 million (30% capex intensity vs. 25% last year), reflecting higher equipment costs (BlueSky TV and Internet Wi-Fi modems), spending on network capacity upgrades, DOCSIS 3.1, and satellite digital network upgrade.
- Subscriber results were in line, with gains in Internet (+22k) and cable (+8k) partly offset by losses in voice (-5k) and DTH (-3k). Total RGUs increased by +22k vs. -37k last year, reflecting the launch of BlueSky TV to Shaw's entire cable footprint, the launch of WideOpen Internet 150 (150Mbps down, 15Mbps up, 1TB monthly data cap) for $49.90/month for the first year and $84.90/month for the second year under a two-year contract ($67.40/month blended rate), and lower churn from bundling and value plan offerings.
- Management expects the positive momentum in video subscriber net additions to continue; however, management cautioned that not all future quarters will show positive net adds in video. Q4/F17 marks the second quarter of positive video additions since Q4/F10.
- Shaw has completed the rollout of DOCSIS 3.1 to the majority of its footprint as at F2017. All remaining systems are expected to be running DOCSIS 3.1 ready infrastructure by the end of F2018
- Management expects to roll out the all-IP version of Comcast's X1 platform by the end of calendar 2018.
- We believe Shaw now has a very clear technology roadmap in place, and for the first time in years, a clear and consistent go-to-market strategy for its consumer wireline services.

Outlook

We expect modest growth and margin recovery through F2019E. We expect improving wireline subscriber trends with modest quarter-to-quarter volatility based on competitive promotional activity.

Business Network Services

- Revenue increased 7% to $141 million and adjusted EBITDA was up 7% to $72 million (margins expanded 31bps to 51.1%). Revenue for the core business, excluding satellite services, grew 9%.

- Business subscriber results were mixed, with losses in cable (-2k) and Internet (-2k) offset by a gains in voice (+8k) and DTH (+0.5k).
- Starting in Q1/F18, for financial reporting purposes, Business Network Services financial results will be combined with the 'Consumer' segment results into one division called 'Wireline'. Subscriber metrics will continue to be shown separately.

Outlook

We are modelling mid-single-digit EBITDA growth through F2019E.

Wireless (Freedom Mobile)

- Revenue increased 16% to $172 million and adjusted EBITDA increased 14% to $33 million, reflecting higher subscribers and ARPU.
- Operating metrics were mixed, with postpaid net additions of +29k (+41k total; consensus +33k) and ARPU up 1% to $37.66. Management noted that new subscriber loading is at ARPU levels >$50 due to the recent launch of Freedom's new "Big Gig" data plans.
- Management indicated it expects to spend ~$350 million over the next two years to deploy the 700MHz and 2.5GHz spectrum it acquired from Quebecor within the current operating footprint.
- Management noted that the capex outlook through F2019 does not include any network coverage expansion outside the existing footprint in BC and Alberta.
- Management stated that Freedom has entered into an agreement with Apple to carry the iPhone. Official launch timing details to be disclosed in the future.
- The company announced that it will re-farm some of its AWS-1 spectrum (all 20MHz currently used for its 3G network) for its LTE network (currently deployed on AWS-3 spectrum). By implication, Freedom's LTE network will support the older iPhone models and other LTE handsets.
- The company plans to launch VoLTE (Voice over LTE) by the end of F2018, which will further reduce usage and need for its 3G network.
- On October 19, Freedom launched new "Big Gig" data plans. For more a comparison of these new plans versus the incumbents, please see the Appendix.
- Management clarified its step-by-step approach and key priorities in wireless over the next few years that has included: (1) building an LTE-A data-only network; (2) launching differentiated offerings (i.e., the Big Gig data plans); (3) creating a handset ecosystem with the iPhone, Samsung, and Google Pixel 2; (4) opening up the LTE network to a wide variety of handsets through the AWS-1 spectrum re-farming; (5) deploying the newly acquired 700MHz and 2.5GHz spectrum; (6) launching VoLTE to support voice; and (7) 600MHz spectrum.

Outlook

We are modeling double-digit EBITDA growth through F2019E but we expect wireless will remain in an investment phase over the medium term. We expect quarter-to-quarter volatility in the results due to the relatively smaller base.

Corporate & Balance Sheet

- Net debt (including preferred shares) at quarter-end was ~$4.1 billion with net debt/LTM EBITDA at ~2.0x.
- Shaw announced the nomination of Mike Sievert to its board of directors beginning in January 2018 (AGM). Mike Sievert is currently T-Mobile USA Chief Operating Officer and previously Head of Marketing. It is worth noting that WIND Mobile, prior to being acquired by Shaw, had T-Mobile USA executives on its board (including David Carey).
- As a reminder, Shaw Communications holds a ~39% equity interest in Corus or 80.6 million shares. Lock-up periods for these CJR.B shares began to expire in April 2017 (one-third in April 2017, one-third in October 2017, and the remaining one-third in April 2018). On September 1, 2017, Shaw began to take cash dividends on its position. Shaw participated in the DRIP program from April 1, 2016 (i.e., closing date of Shaw Media acquisition) to August 31, 2017. Annual cash dividends from Corus to SJR.B is $92 million. Management previously stated that is has no intention of selling the Corus shares over the *near term*. The current market value of the Corus shares owned by the company is ~$990 million (which we mark-to-market in our EV calculation).

Forecasts

We forecast low to mid-single-digit EBITDA growth through F2019E reflecting modest gains in Consumer and continued growth in Wireless. We expect elevated dividend payout ratios through this period supported by a solid balance sheet.

Shaw Communications Summary Model (in $mms)	2014	2015	2016	2017	2018E	2019E
Revenues:						
Consumer	3,768	3,752	3,752	3,747	3,740	3,777
Business Network	484	520	548	554	593	623
Business Infrastructure		246	334	-		
Media	1,096	1,080				
Wireless			280	605	700	800
Total Revenues	**5,241**	**5,488**	**4,884**	**4,882**	**5,009**	**5,176**
yr/yr growth	*2%*	*5%*	*-11%*	*0%*	*3%*	*3%*
EBITDA:						
Consumer	1,669	1,686	1,667	1,583	1,615	1,640
Business Network	240	256	265	281	300	315
Business Infrastructure		95	123			
Media	353	342				
Wireless			59	133	165	200
Reported EBITDA	**2,262**	**2,379**	**2,114**	**1,997**	**2,080**	**2,155**
margin	*43%*	*43%*	*43%*	*41%*	*42%*	*42%*
yr/yr growth	*2%*	*5%*	*-11%*	*-6%*	*4%*	*4%*
Amortization	765	895	957	944	1,100	1,110
Interest	266	287	306	260	250	240
EPS - Adjusted	**$1.84**	**$1.72**	**$0.94**	**$1.12**	**$1.06**	**$1.17**
Net Debt	4,353	5,571	5,507	4,093	4,360	4,514
Capex	(1,116)	(1,090)	(1,198)	(1,183)	(1,380)	(1,350)
Free cash flow - as reported	784	751	350	432	364	434
Free cash flow - simple	598	428	357	237	313	359
Dividends (adj for DRIP)	(339)	(369)	(380)	(385)	(591)	(591)
Net debt/EBITDA	1.9	2.3	2.6	2.0	2.1	2.1
Subscribers (000's)						
Video	1,958	1,842	1,732	1,722	1,735	1,748
net additions	(83)	(115)	(110)	(10)	13	13
Internet	1,930	1,953	1,968	2,032	2,082	2,122
net additions	*40*	*22*	*15*	*64*	*50*	*40*
Phone	1,375	1,312	1,258	1,253	1,238	1,223
net additions	*15*	*(63)*	*(54)*	*(5)*	*(15)*	*(15)*
Wireless	809	983	1,043	1,140	1,282	1,417
net additions	*133*	*174*	*120*	*104*	*135*	*135*
Satellite	881	843	822	805	780	755
net additions	*(23)*	*(37)*	*(22)*	*(16)*	*(25)*	*(25)*

Source: Company reports and BMO Capital Markets estimates.

Valuation

We are maintaining our Market Perform rating. Our target price of $30 is based on ~8.5x F2019E EBITDA, net of equipment subsidies.

Valuation Analysis									
	Canadian Cablecos				Canadian Telcos		US Telcos		
26-Oct-17	Cogeco Communications	Rogers Communications	Quebecor	Shaw Communications	BCE	TELUS	AT&T	Verizon	Group Average
Ticker	*CCA-CA*	*RCI.B-CA*	*QBR.B-CA*	*SJR.B-CA*	*BCE-CA*	*T-CA*	*T-US*	*VZ-US*	
Share Price	$90.93	$67.34	$48.05	$27.51	$59.41	$47.07	$33.68	$48.89	
Market Cap.	$4,498	$34,667	$5,843	$13,645	$53,493	$27,865	$208,210	$199,911	
Currency	C$	C$	C$	C$	C$	C$	US$	US$	
Valuation Metrics									
Total Enterprise Value	$8,248	$47,067	$11,722	$16,627	$79,891	$41,191	$325,690	$305,109	
EV/EBITDA									
2016A	6.1	7.9	7.7	8.1	8.5	8.1	8.0	7.1	**7.7**
2017E	7.0	8.7	7.8	8.3	8.6	8.4	6.9	6.6	**7.8**
2018E	7.7	8.3	7.2	8.2	8.3	8.1	6.2	6.8	**7.6**
P/E									
2016A	19.1	32.3	23.5	27.9	16.8	16.6	13.5	17.2	**20.9**
2017E	15.0	19.2	16.3	25.0	17.5	17.0	13.4	14.6	**17.2**
2018E	14.8	17.8	14.3	26.0	17.0	15.9	12.4	12.3	**16.3**
Price/FCFPS									
2016A	11.2	18.5	21.3	35.3	15.7	nm	10.5	14.5	**18.1**
2017E	12.3	20.3	21.6	57.7	15.9	28.0	13.1	8.3	**22.2**
2018E	12.2	18.8	18.6	43.7	15.7	24.6	17.9	14.3	**20.7**
2017E Payout Ratio (NI)	28%	55%	7%	107%	84%	69%	67%	63%	**60%**
2017E Payout Ratio (FCF)	23%	58%	10%	247%	77%	114%	64%	115%	**88%**
FCF Yield '17E	8.1%	4.9%	4.6%	1.7%	6.3%	3.6%	7.6%	12.1%	**6.1%**
Dividend Yield	1.9%	2.9%	0.5%	4.3%	4.8%	4.2%	5.8%	4.8%	**3.6%**
Net Debt / 2017E EBITDA	3.7	2.8	3.0	2.0	2.9	2.7	2.3	2.3	**2.7**
EBITDA Growth '16-'18E	6%	5%	6%	2%	4%	4%	0%	2%	**3.6%**
EPS Growth '16-'18E	36%	15%	11%	6%	1%	7%	2%	0%	**9.7%**

Note: Cogeco Net Debt Pro-Forma MetroCast; the application of IFRS 15 will change valuations multiples.
Source: Company reports, FactSet, BMO Capital Markets estimates

Conclusion and Investment Recommendation

Q4 results reflect a continuation of recent trends, with subscriber growth trumping margins. With a current broadband speed advantage over the breadth of its plant, the rollout of Comcast's X1 video platform (BlueSky), and a strong balance sheet, Shaw has a clear go-to-market strategy in wireline after years of inconsistency. We believe adding a wireless product to its business mix will improve the long-term growth profile of the company but heavy network investments are expected to continue for the foreseeable future. Our target price of $30 is based on ~8.5x F2019E EBITDA, net of equipment subsidies.

Appendix

For illustrative purposes, the chart below simplifies wireless plans for Freedom vs. the incumbents and their flanker brands.

In short, we would note that making direct pricing comparisons between Freedom and the incumbents does not take into account obvious material differences in network quality, coverage, handset availability, retail distribution, brand equity, and other factors.

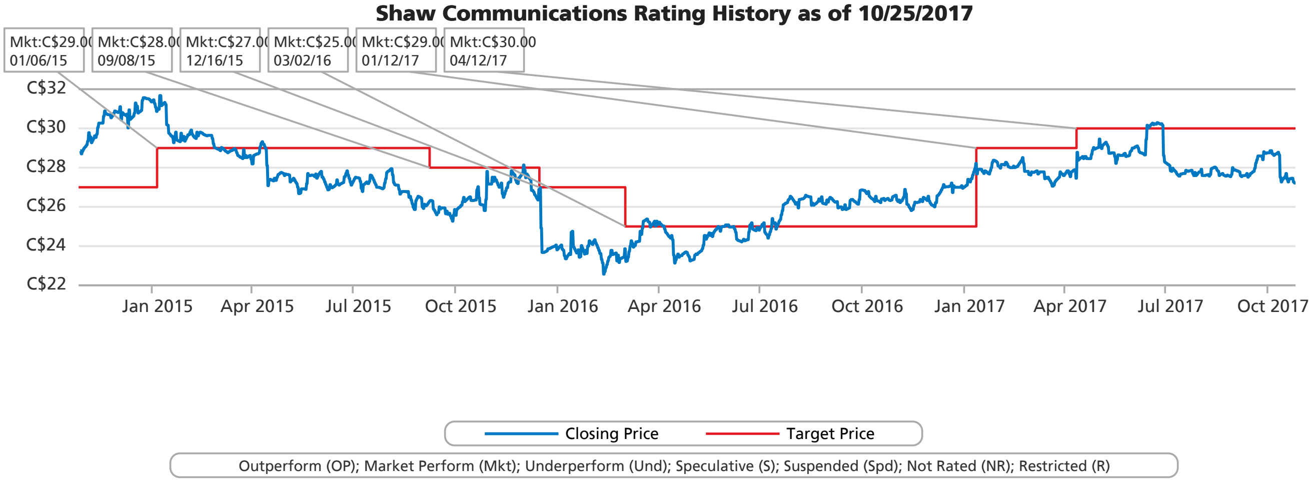
BOYD Plans (ON/AB/BC)	**Rogers**	**Bell**	**TELUS**	**Fido**	**Virgin**	**Koodo**	**Chatr**	**Public Mobile**	**Freedom**
1GB	$80	$80	$80	$65	$65	$65			
2GB	$85	$85	$85				$40	$45	
3GB								$55	
4GB	$100	$100	$100	$85	$85	$85	$45		**$50**
5GB								$60	
6GB	$110	$110	$110				$50		**$60**
9GB									**$75**
10GB	$145	$125	$130	$115	$115	$115			
15GB		$155	$155						**$100**
20GB	$180		$175						
40GB	$290		$275						
80GB	$400		$405						
Overage	$0.07/MB	$0.07/MB	$0.05/MB to 1000MB, $0.10/MB thereafter	$0.07/MB	Varies by plan	$0.07/MB	No overage, speeds throttled	No overage, data cut off	No overage, speeds throttled

Notes:

- All plan pricing above includes unlimited Canada wide calling + texting.
- Chatr pricing is for 3G Data Plans; 1GB plan includes bonus of 1GB/month, 2GB and 4GB plan include bonus of 2GB/month.
- Public Mobile pricing based on current promotions; 3GB plan based on length of 90-days; 4G LTE plans only.
- Freedom Mobile pricing on a 24-month plan, 4GB includes 1GB Bonus, 6GB includes 4GB Bonus, 9GB includes 3GB Bonus, and 15GB includes 5GB Bonus. The bonus data offer is available for a limited time and is subject to change or cancellation without notice

Source: BMO Capital Markets, Company Websites

Shaw Communications Rating History as of 10/25/2017



Source: FactSet, BMO Capital Markets

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Methodology and Risks to Target Price/Valuation for Shaw Communications (SJR.B-TSX)

Methodology: Our target price reflects ~8.5x our F2019E Adjusted EBITDA estimate, net of equipment subsidies.

Risks: Key risks include (1) increased competition resulting in higher customer churn or pricing pressures, (2) unfavourable regulatory changes, (3) greater technology substitution, and (4) economic slowdown in its operating footprints

Distribution of Ratings (October 25, 2017)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe
Buy	Outperform	45.4%	23.0%	57.6%	47.8%	58.6%	53.9%
Hold	Market Perform	50.9%	14.5%	40.6%	48.8%	39.8%	41.1%
Sell	Underperform	3.6%	9.5%	1.9%	3.4%	1.6%	5.0%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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(April 2013 - October 2016)
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This is Exhibit 76 to the affidavit of Kenneth Mathieu,
affirmed remotely by Jonathan Bitran stated as being
located in the city of Toronto in the province of Ontario, on
the 20th day of October, 2022, in accordance with
O.Reg431/20, Administering Oath or Declaration Remotely.

Robert Bek, CFA
1 (416) 594-7454
Bob.Bek@cibc.com

Kulveer Grewal, CFA, CPA, CA
1 (416) 594-7907
Kulveer.Grewal@cibc.com

CHANGE IN RATING - UPGRADE

Shaw Communications

June 5, 2018
Consumer Discretionary

Stock Rating: **OUTPERFORMER**

Upgrading To Outperformer - Giving Shaw's Wireless Opportunity Its Due

Our Conclusion

As of June 5, we are upgrading Shaw to Outperformer from Neutral. Our price target increases to $30 from $28, implying an expected total return of ~20% in the next 12-18 months. We now expect Shaw shares to outperform its sector peers over the next 12-18 months, and argue for the shares to be bought at current levels.

Implications

With this report, we have reassessed our Shaw thesis, specifically focusing on its material wireless opportunity, and the benefits from bold cost-cutting efforts already underway in the core business.

Valuations in the Canadian cable/telecom space have greatly converged in the past year towards the ~8x forward EBITDA level, reflecting stable competitive markets and operating execution. Our forecasts for the space remain solid; however, our return expectations are somewhat muted for the group.

We now argue, however, that Shaw shares should trade at a premium to our cable/telco coverage names over the next few years. As execution on its wireless opportunity develops further, and these positive growth drivers combine with bold and prudent cost cutting on the wired base, we argue that a premium for its shares should develop over the next 12-18 months, as reflected in our $30 price target.

Key Ratios and Statistics

12-18 mo. Price Target	$30.00
SJR.B-TSX (6/4/18)	$26.28
Key Indices:	S&P/TSX 60
52-week Range	$23.90-$30.44
Shares Outstanding	501.0M
Float	325.3M Shrs
Avg. Daily Trading Vol.	1,205,000
Market Capitalization	$13,166.0M
Dividend/Div Yield	$1.19 / 4.5%
Fiscal Year Ends	August
Book Value	$12.04 per Shr
2018 ROE (E)	4.0%
Net Debt	$4,181.0M
Common Equity	$6,010.0M

EPS	2016	2017	2018	2019
Current	$1.07A	$1.04A	$1.18E	$1.34E
Prior			$1.15E	$1.31E
Estimates (Aug. 31)	2016	2017	2018	2019
EBITDA ($mln)-Curr	$2114.0A	$1997.0A	$2063.0E	$2188.8E
EBITDA ($mln)-Prior			$2055.0E	$2162.6E
Valuation (Aug. 31)				
P/E-Curr	24.6X	25.3X	22.9X	20.1X
P/E-Prior			22.9X	20.1X
EV/EBITDA-Curr	8.2X	8.2X	8.4X	8.0X
EV/EBITDA-Prior			8.5X	8.1X

Company Description
Shaw is the largest multichannel pay TV provider in Canada, and one of the largest broadcasters in the country.
www.shaw.ca

All figures in Canadian dollars, unless otherwise stated.

For required regulatory disclosures please refer to "Important Disclosures" beginning on page 17. Please see "Price Target Calculations" and "Key Risks to Price Target" information on page(s) 15.

Shaw Communications

Outperformer

SJR.B — TSX

Price as of June 04, 2018:	**$26.28**	**Robert Bek, CFA**	**(416) 594-7454**	**Bob.Bek@cibc.ca**
12- To 18- Month Price Target:	**$30.00**	**Kulveer Grewal, CFA, CPA, CA**	**(416) 594-7907**	**Kulveer.Grewal@cibc.ca**

All figures in Canadian millions, except per share data.

EV / EBITDA Multiples	2016A	2017R	2018E	2019E
Shaw Communications		8.2x	8.4x	8.0x
Rogers Communications		8.7x	8.1x	8.0x
Comcast Corp.		7.5x	7.3x	6.9x

P / E Multiples	2016A	2017R	2018E	2019E
Shaw Communications		25.3x	22.9x	20.1x
Rogers Communications		17.0x	15.0x	14.6x
Comcast Corp.		15.8x	12.9x	11.8x

Key Financial Metrics	2016A	2017R	2018E	2019E
Free Cash Flow Yield		3.3%	2.9%	3.6%
Payout Ratio		89.7%	103.4%	82.1%
Capital Intensity		25.1%	26.4%	24.5%
Net Debt to EBITDA		1.9x	2.1x	1.9x
Effective Tax Rate		25.4%	35.1%	26.0%

Income Statement	2016A	2017R	2018E	2019E
Revenue	4,884.0	4,882.0	5,253.5	5,402.8
OpEx	2,770.0	2,885.0	3,190.5	3,214.0
EBITDA	2,114.0	1,997.0	2,063.0	2,188.8
Depreciation & Amortization	957.0	944.0	1,015.0	1,035.0
EBIT	1,157.0	1,053.0	1,048.0	1,153.8
Interest Expense	301.0	260.0	253.1	250.0
EBT	627.0	747.0	370.9	803.8
Tax Expense (Recovery)	171.0	190.0	130.3	209.0
Net Income — Equity Shareholders	**456.0**	**557.0**	**240.6**	**594.8**
Adj. FD EPS	**1.07**	**1.04**	**1.18**	**1.34**

Free Cash Flow	2016A	2017R	2018E	2019E
EBITDA	2,114.0	1,997.0	2,063.0	2,188.8
Less:				
Capex	1,191.0	1,225.0	1,385.0	1,325.0
Cash Taxes	247.0	151.0	194.9	220.0
Cash Interest	301.0	260.0	253.1	250.0
Operating Free Cash Flow (FCF)	**482.0**	**438.0**	**380.0**	**478.8**
Operating FCF Per Share	**1.00**	**0.89**	**0.76**	**0.96**

Source: Bloomberg, company reports and CIBC World Markets Inc.

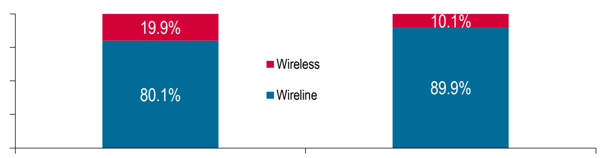
Company Profile

Shaw is a diversified communications company whose core business is providing broadband cable television, high-speed internet, digital telephony, telecommunication services, satellite direct-to-home TV and wireless.

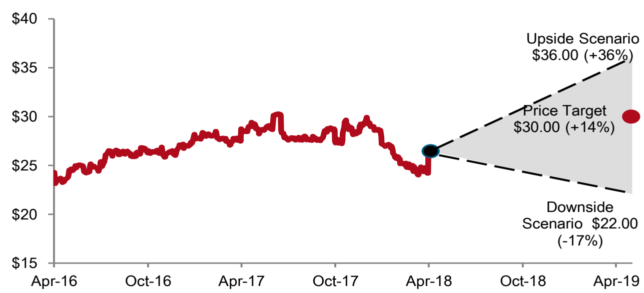
Investment Thesis

Shaw's foray into wirless provides the company with a material runway for growth into the future. Indeed, we now believe that Shaw should be able to double its wireless subscirber base over the next decade, simply be commanding a 15% market share in its wired territories and a 10% share in Ontario (we dub this the 15/10 thesis), which would add to wireless vauations in a material way. While we do not forecast the wireline segment to be a growth story per se, cost cutting efforts at the segment should still lead to positive EBITDA/FCF expectations for the forseeable future. All told, we believe Shaw is positioned to deliver near industry leading consoidated growth looking out over the next 3-to-5 years.

Revenues & EBITDA by Segment (2019E)



Price Performance And Scenario Analysis



Price Target (Base Case) : $30.00

Our base case price target equates to blended multiple of about 8.75x EV/EBITDA. This implies a premium valuation for Shaw relative to peers, which we see as fair given Shaw's material growth opportunity in wireless. Our base case is based on 2019E where we are modelling a ~3% uptick in revenue y/y (mostly on the back of gains in Wireless, both through better loading and ARPU) but a more pronounced ~6% growth in EBITDA as Shaw starts to reap the benefits of its massive cost-cutting initiative.

Upside Scenario: $36.00

Our upside scenario yields a value of $36/share. This is more so a blue-sky scenario that contemplates wireless assets being sold/spun out around 10x EBITDA, and the stub also sold for the same 10x level.

Downside Scenario: $22.00

Our downside scenario yields a value of $22. In this scenario wireless growth would fail to live up to expectations, and this is coupled with further maturity in wireline with margins also taking a step-back as cost-cutting efforts fail to bear fruit. At $22, Shaw would trade at ~7.0x EBITDA, or about 0.5x discount to peers.

Revisiting The Wireless Opportunity At Shaw – Upgrading To Outperformer And $30 Price Target

We have revisited our thesis on Shaw, giving specific attention to its wireless opportunity, both in subscriber execution and in valuation terms. We have also stressed our assumptions for core wireline assets (broadband, video and voice), reflecting the current realities of the sector and Shaw management's bold response.

We conclude that our thesis of late has been under-appreciating the wireless opportunity at Shaw (Freedom), not so much in near-term execution potential, but in ultimate size/scope, and on the implications for valuation. With respect to Shaw's core assets (broadband/video/satellite/voice), we have only tweaked our estimates. However, we do update our overall thoughts on these assets as well.

The end result of our analysis sees us upgrade our rating on Shaw to Outperformer from Neutral. Our price target goes to $30 from $28, suggesting a total return of ~20% in the next 12-18 months, which would put Shaw shares in a leadership position versus the other names in the sector for return opportunity.

We Have Under-appreciated Shaw Wireless Since Its Acquisition

We Were (And Remain) Concerned Over "Naked" Cablecos

A big part of our sector analysis over the past five years has focused on the role of traditional cable/telecom in a gigabit society. At the crux of this analysis was 5G opportunities (both mobile and fixed) and the implications for the last mile. While video remains a core component of the customer bundle, our analysis was squarely on broadband, and the ability to reach residential customers with a minimum of gigabit throughput, and with enough efficiency to argue for more and greater uses/applications to fill this pipe.

The bedrock of broadband network reach in the sector will continue to be a wired last mile, even with 5G advancements arguing for some mobile potential. That said, we remain particularly focused on the fixed 5G trials being undertaken by Verizon and AT&T in a number of U.S. markets, and the disruption potential that this technology could still bring.

From our analysis, we continue to suggest that even though a wired last mile is likely to dominate for quite some time, the disruptive potential of 5G to that conclusion argues for a more defensive stance. As such, our base thesis remains that we are not positive on the strategic prospects for a cableco that lacks a material wireless network within its asset mix. The end-around risks are too great, as is the reduced flexibility in a world where the technology reaching the customer is increasingly blurred and the customer agnostic.

Even With This View, We Were Surprised By Shaw's Wind Purchase, And Did Not Give It Due Credit

Notwithstanding our naked cableco thesis, we had drifted into a mindset that the opportunity for owning a compelling wireless platform had passed for Shaw, given the huge advantage the Big 3 had in network reach, quality and subscriber base. When Shaw acquired Wind in December 2015, we were surprised by the move, and in turn, underappreciated the asset and its potential to address our naked cableco concerns at Shaw. Our forecasts at the time suggested a modest level of subscriber potential, weaker network reach and throughput potential, high capex concerns, and limited valuation potential above the $1.6 billion that Shaw paid for the asset (though we did acknowledge at the time that it was a great price).

While our forecast/tone over the past two years has edged higher, we were simply keeping pace with the market and not reflecting the positives that were being created. It is this bias that we attempted to test in this update on the Shaw story.

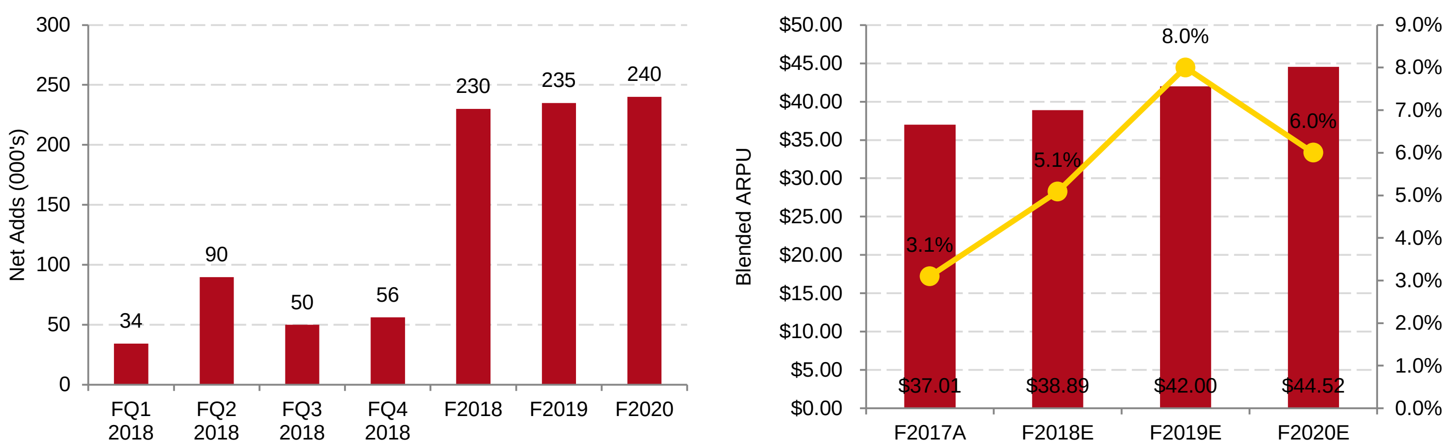
In Summary: A Fresh Look At The Wireless Opportunity Suggests We Have Been Too Myopic In Our Thesis The Past Two Years

We See Materially More Wireless Opportunity At Shaw Versus Our Prior Thesis

Shaw's Near-term Momentum Is Clearly Positive

The near-term strength of the Shaw asset is not a secret at this point. After major investments in network (which continue), and bringing in strong and experienced Wireless leadership in Wireless President Paul McAleese, Shaw rolled into the 2017 Christmas season with great confidence. Given an empty highway of a network, and a huge handset upgrade with the addition of Apple (which we did not think would come this soon), the company rolled out an aggressive "Big Gig" plan to its markets (10 GB for $50/$60) and immediately saw subscriber momentum shift fast. Even with an immediate competitive response from The Big 3, Shaw's Freedom Wireless racked up a massive quarter, adding over 93.5k in postpaid subs, multiples above Street expectations. Freedom's offers continue to resonate in the market, even with continued competitive responses from some of the Big 3, resulting in net add forecasts over the next few quarters (and beyond) in the +40K-50k range (Exhibit 1A). These are excellent subscriber loading totals and estimates. Add in continued growth in ARPU (Exhibit 1B), and the prospect for revenue growth is compelling. EBITDA growth will also begin to benefit as operating leverage takes hold.

Exhibit 1. Freedom Wireless Subscriber Net Adds And ARPU Forecast

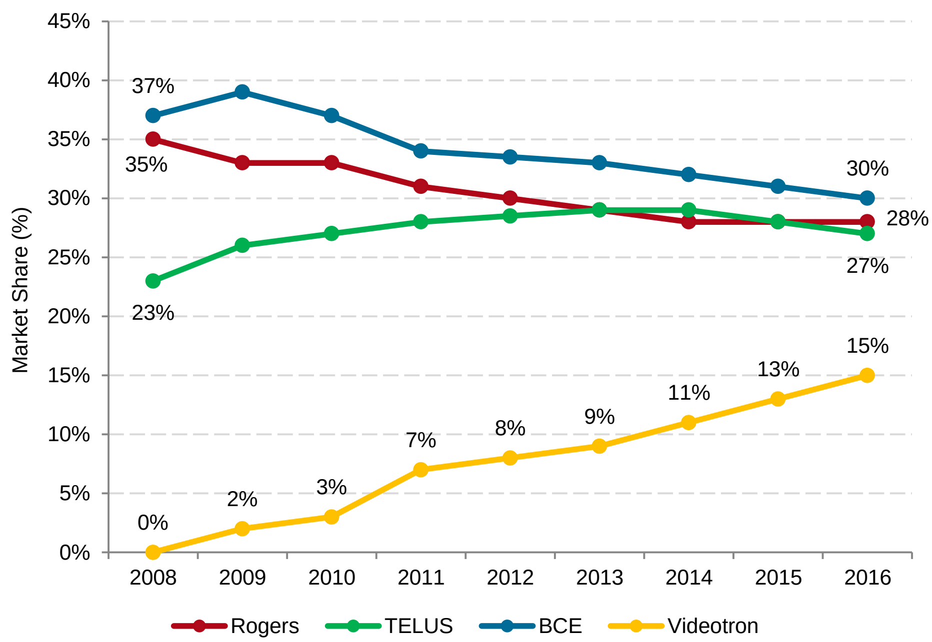


Source: Company reports and CIBC World Markets Inc.

This Is Without Any Bundling Efforts By Shaw

The near-term momentum established by Freedom is material, but consider that the company has yet to touch on one of its larger opportunities: Bundling with its core business, especially broadband. Quebecor's Videotron is a great example of what can eventually come from rolling out a competitive wireless product, with a full range of handsets, AND with incentives for existing wired customers. Videotron has reached a market share of wireless in Quebec of ~16% and growing, with commensurate growth in EBITDA. Granted it was aided in the past few years by a network sharing agreement with Rogers in the province, but the trend line certainly highlights the success of the strategy (Exhibit 2).

Exhibit 2. Quebec Wireless Market Share Evolution



Source: CRTC Communications Monitoring Reports, company reports and CIBC World Markets Inc.

At the moment, Shaw does not appear to have plans to fully bundle its wireless/broadband offerings; however, that is a clear medium-term path and certainly expected by the market eventually. We believe that this augers well for continued wireless subscriber loading at Freedom beyond the NT momentum we spoke of.

What Is Freedom's Ultimate "Natural" Market Share? The 15/10 Opportunity Seems Quite Doable, And Positive

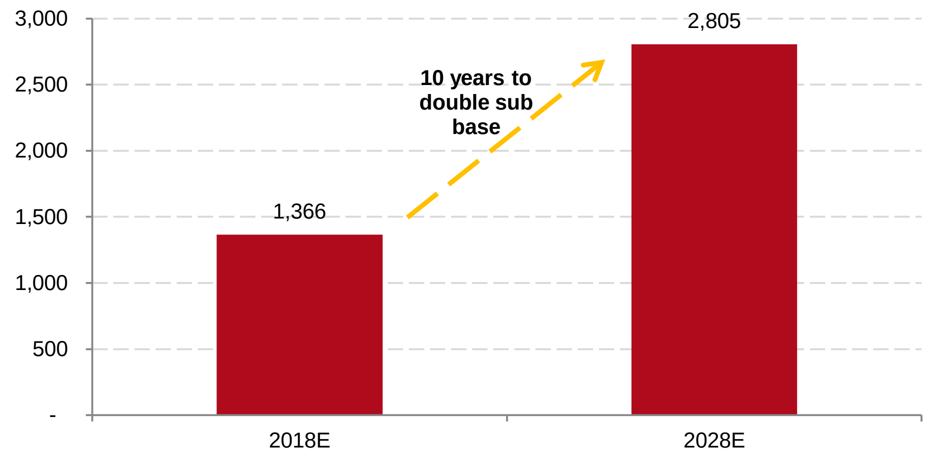
Any analysis of Freedom's potential ultimately comes back to one of "natural" market share, as in where a legitimate 4th national player can ultimately achieve relative to peers, without disrupting competitive equilibrium. The obvious long-term answer is 25% (in a four player analysis), but given the huge base at the Big 3, and their impressive networks and distribution platforms (from which Freedom is essentially blocked out), that math is not reasonable, especially over a 10-year time horizon, which is our modelling time-line for market share moves. In addition, Freedom's network is never going to be as broad as the Big 3, as it makes no sense to overbuild in less populated areas at this point. As such, that 25% hurdle is not a reasonable expectation.

Our thesis instead is focused on what we call the 15/10 opportunity. This would argue that Freedom has a longer-term (10 years) opportunity to get to a 15% wireless market share in provinces where Shaw's wireline assets exist (in line with what Videotron has established over a similar time horizon in its home market, albeit starting from zero). In addition to this 15% "home" share, we also suggest the potential for a 10% share in other non-Shaw markets, which essentially means Ontario for now. Again, not an unreasonable market share number.

This 15/10 thesis would suggest a national market share number of around 9%, based on current subscriber numbers. Obviously, the market is still growing, therefore this 15/10 analysis is not static, but it does give us a target to focus on in our models. The resulting subscriber number in 10 years would be roughly 2.8

million subscribers, versus our 2018E of just under 1.4 million. So a little more than a doubling from current levels. Again, this does not seem unreasonable over that time frame.

Exhibit 3. Freedom Long-Term Wireless Subscriber Projection



Source: Company reports and CIBC World Markets Inc.

While 15/10 Seems To Make Sense, In Reality It Will Be More Like 25/10, Given Shaw's Actual Footprint And Freedom's Target Market

Keep in mind that if we are correct about a 15/10 hypothesis, the reality would in fact be more like a 20/10 situation, if not 25/20, given the fact that Freedom will not be "everywhere." The 15% share we look for in Shaw provinces does not actually reflect that Shaw's wired assets (for bundling) and Freedom's primary focus (populated areas) are in urban and suburban areas within these provinces. If we looked ahead to what Freedom's market share could be in actual Shaw territory and not just the whole province, the number would be more like 20%, if not higher.

So let's stick with our 15/10 thesis, which will also be easy enough to track to assess execution, as opposed to market share in Shaw wired service areas (or only urban/suburban markets in Ontario), for which reliable data remains difficult to obtain.

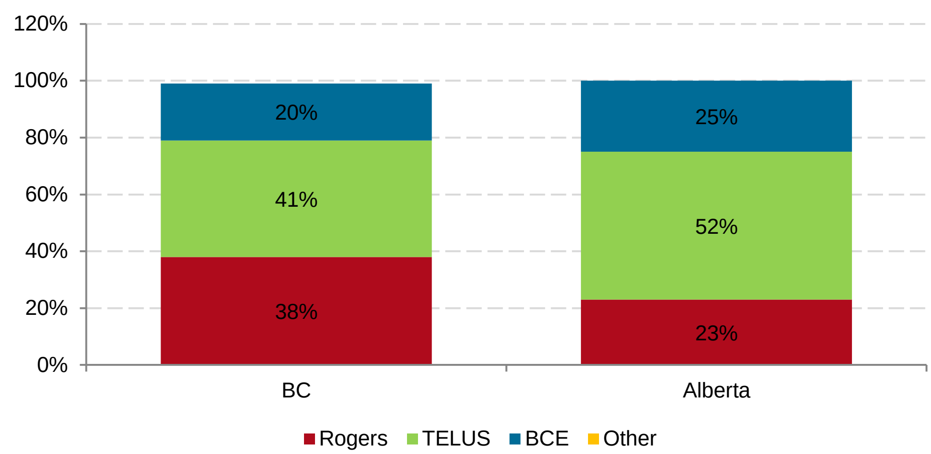
How Might Competitors Pressure These Forecasts?

Our assumptions on competitor response to this potential subscriber growth at Shaw/Freedom are rarely straight forward. Notwithstanding the aggressive matching response seen by, at first Rogers, then BCE and TELUS, in the December/January period, we continue to believe that such aggressive competitive response is transient in nature. We expect to see defensive behavior by all the players, led by Rogers (given they likely have the most to lose), but we do not expect to see a scorched earth pricing strategy similar to what we saw from Rogers in 2008, in response to the original 4th player threat by Wind. Shaw is not going anywhere, and is well capitalized and well run. It does not make sense for the Big 3 to cannibalize the market aggressively in response to Shaw, except for those times where equilibrium has been wildly overshot, as was the case in December. Given this view, we therefore believe that a 15/10 target for Shaw/Freedom would also flow through to gains in ARPU (especially given the low base from which Freedom is building up ARPU, and given that most new Freedom subscribers are taking up higher-value plans like Big Gig at $50/month), adding to revenue potential, and obviously EBITDA.

Another consideration for wireless competition is the in-market response from TELUS once we see some bundling efforts with broadband by Shaw. The plain vanilla conclusion is that such bundling activity will solicit a direct competitive response from TELUS, given its own existing bundling heft in the exact same territory as Shaw. We don't believe it is that straightforward of an analysis. At the margin, yes, the two bundled offers will be competing head-to-head for Western households. However, we continue to see TELUS and Shaw as rational players in this market (they have both seen the ugly outcomes from irrational behavior in the past). In fact, we see Shaw's bundled efforts as focused on its existing wired customer platforms (as opposed to aggressively attracting a TELUS bundled sub). Today, it would be somewhat rare to see a Shaw wired broadband customer with a TELUS wireless subscription. TELUS' bundling efforts over the years would, for the most part, have already enticed that customer to go all TELUS for wired and wireless services. More likely is the scenario where a Shaw wired customer uses either Rogers or Bell for their wireless services. Given this view, the eventual move to more aggressively bundle Freedom with Shaw will more likely draw from the considerable wireless-only share that Rogers and (to a smaller degree) Bell have in Alberta and British Columbia (Exhibit 4).

Therefore, it is not a given that a massive TELUS response to Shaw/Freedom eventual bundling is guaranteed to be problematic. Rogers and BCE could fight on wireless price in those markets, but that also doesn't make sense against a bundled offer from Shaw and TELUS; Quebec has taught us that lesson already.

Exhibit 4. Alberta And British Columbia Wireless Market Share (YE 2016)

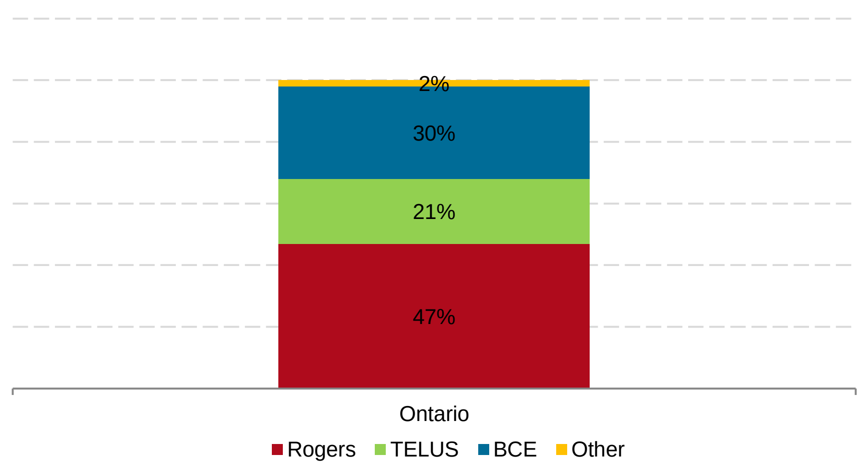


Source: CRTC Communications Monitoring Report, company reports and CIBC World Markets Inc.

What about in Ontario? Will Freedom be able to get to 10% share in Ontario without bundling help, and without seeing a material competitive response from the Big 3, and in particular Rogers and BCE who dominate the market (Exhibit 5)? For us, the opportunity for Freedom in this market is more focused on breaking the bundles that are geared for shared wireless data "family" plans. Freedom's continued focus on Big Gig is already putting some pressure on these family plans, especially ones where overages come into play. Rather than cut price on their shared data plans, the Big 3 have focused on adding data to buckets (or more often, offering "reasonable" top ups to buckets before the billing cycle concludes). This behavior by the Big 3 does allow some room for Freedom to see market share gains that do not result in aggressive pricing pressure. Freedom offers big data AND lower pricing, which has a decent opportunity to break up some family plans. The Big 3 will offer more and more data hoping to keep the family plans in place without having to lower price. The end result is a fairly healthy market, but not without opportunity for Freedom.

Is 10% share in these markets doable? We think so. Again though, given Freedom's focus on urban/suburban, the actual share for Freedom where it competes would be higher than the 10% target in our 15/10 thesis.

Exhibit 5. Ontario Wireless Market Share (YE 2016)

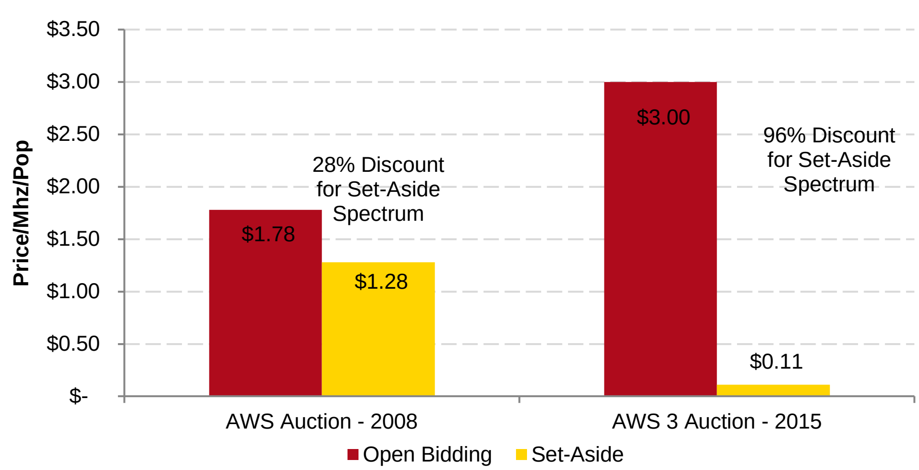


Source: Company reports and CIBC World Markets Inc.

Freedom Is Well-Positioned To Inexpensively Add Spectrum

As a fledgling national wireless player, Shaw/Freedom should continue to have beneficial access to spectrum to further advance its network potential. The upcoming 600 MHz auction next year has again been set up with spectrum set-asides to boost competition to the Big 3. Shaw will benefit by being able to pursue spectrum with only limited competition (especially from a geographic positioning perspective) from other non-national players and other potential new entrants. Looking at recent auctions with similar set-aside characteristics, the discount to non-set-aside spectrum is not immaterial. In the 2015 AWS-3 auction, set-aside spectrum went at a 96% discount to open bidding, and a smaller, but still material, 28% discount was seen in the original AWS 3 auction in 2008 (Exhibit 6).

Exhibit 6. Set-Aside Vs. Open Bidding Spectrum Price/Mhz/Pop



Source: Company reports and CIBC World Markets Inc.

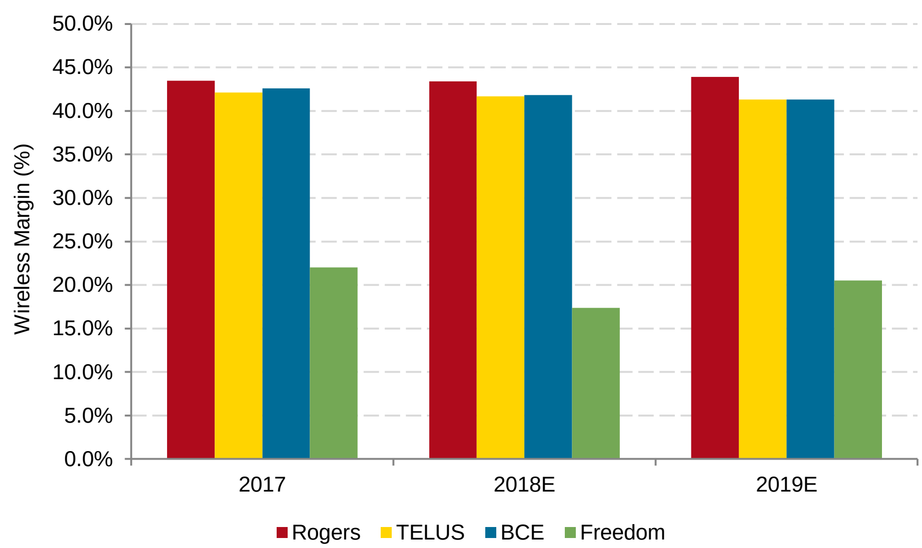
There Remain Headwinds To Success, But We Were Already Accounting For These

It's not to say that Shaw's wireless pursuits are without heavy lifting requirements. The execution needed to achieve a 15/10 forecast, against excellent competitors, in a fluid market, is not a given. In addition, there are other inherent headwinds to success that have not changed.

The lack of a network sharing agreement requires Shaw to spend a great deal more on capex and time to market than would have been the case had an agreement with a Rogers been doable (as benefitted Quebecor). In addition, the Big 3 had long ago monopolized the distribution pipe for wireless retail shelf space, starting back in the Wind/Mobilicity/Public Mobile days and quite recently shored up with the joint purchase of Wireless Wave by Bell and Rogers in 2015. Freedom has its own network of stores and kiosks, and is looking at alternative retail partners, but will always be handcuffed somewhat by this distribution shortfall versus the Big 3.

Given these headwinds, and inherent cost considerations and Freedom's size, our EBITDA expectations for the asset are less than what we would forecast for the Big 3. At the moment, Freedom's EBITDA margins are ~20%, versus the established peers pushing in the 40%-45% (Exhibit 7). Even assuming our 15/10 thesis holds, our expectations for margin at that point remains in the range of 30%-35% given the variables noted above. These are still positive and compelling margins, with some further upside to potential catch-up to Big 3 levels; however, we have a hard time seeing Freedom reaching peer level profitability for now.

Exhibit 7. Freedom Wireless Margins Vs. Peers



Source: Company reports and CIBC World Markets Inc.

That said, these headwinds were known for the past few years, and had played a part in our more modest assessment of opportunity at Freedom. As such, they don't take away from the new positives in our thesis, which we highlight earlier in this section.

In Summary, We Believe The Freedom Opportunity At Shaw Is Material, And Greater Than We Had Previously Thought

Our Wireless Valuation Thesis Has Also Increased - An Additional ~$2.00 Per Share

Shaw Wireless Valuation Targets Remain Complicated At This Stage Of Its Growth Path

Not only have we become more bullish in our wireless forecasts for the Shaw story, but we also believe that we have been underestimating the valuation of these assets within Shaw. Given these are early days for wireless growth, a valuation based on EBITDA (as is our practice with the peer group) does not work. We had, to date, simply attempted to ballpark value in order to reflect wireless potential at Shaw, but we now believe that we have understated value for the story as a result, especially over the longer term.

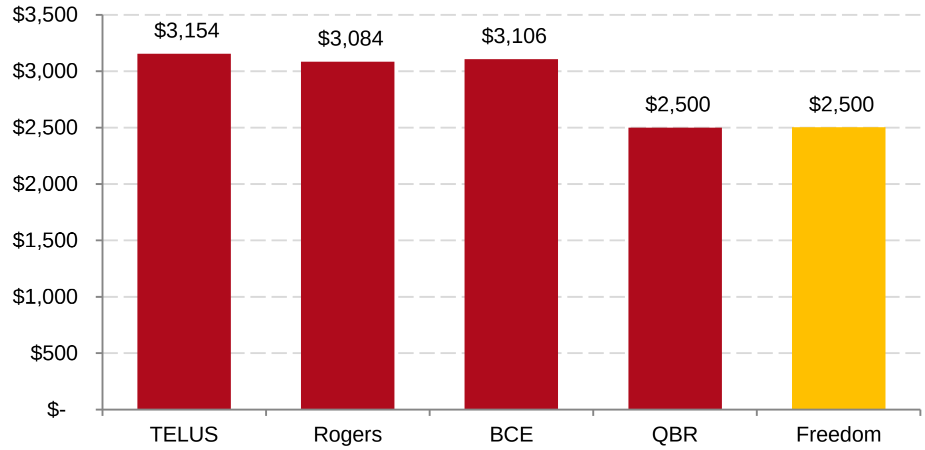
A Discount To Peer Metrics Is Required - Consistent With Our Videotron Treatment

We face a similar issue when valuing the wireless assets within Quebecor. What we arrived at is a valuation thesis based upon current subscriber value versus the Big 3, with a discount that reflects lesser operating statistics/size/network more than offsetting the remaining growth potential for the assets. We have stress tested other similar measures, and this valuation per sub appears to most meet market expectations and reasonableness for Quebecor. We have also run DCF analysis using forecasts that support these same wireless valuation metrics, which is interesting. That said, we prefer not to use DCF as our primary valuation methodology, which is consistent with our entire coverage universe, as DCF has too many flaws to be the go-to analysis on value.

Looking at our target valuations for the Big 3, determined primarily by EV/EBITDA multiples (with a long history of relevance in the market) on next year's EBITDA of 8.25x, the resulting valuation per subscriber (2019E) is remarkably consistent. All three are within a hair of each other at ~$3,150 per subscriber. Given minor model adjustments (and IFRS 15 changes), this is down modestly from roughly $3,250 earlier this year. For Quebecor's Videotron, we established a discount of 25% to this recent $3,250 valuation to arrive at ~$2,500 per 2019E subscriber as a target for wireless. Again, this discount appears to reasonably reflect opportunity and weaknesses against peers and has been supported by Quebecor share behavior over the past few years.

We believe that Shaw's Freedom should represent a similar valuation methodology. Yes, there are differences, such as Videotron's network sharing agreement and Quebec-limited reach, but it is not unreasonable to view these two non-Big 3 players in a similar way.

Exhibit 8. 2019E Wireless EV Per Subscriber



Source: Company reports and CIBC World Markets Inc.

Valuing Freedom Today At $2,500 Per Subscriber, Results In A ~$2.00 Per Share Pickup To Our NAV

Using this $2,500 per subscriber target and our forecast for Freedom's F2019E estimated subscriber base result in a valuation for Shaw's wireless assets of some $4.3 billion. This represents an improvement from our prior assessment of value at $3.2 billion, or roughly $2.30 per share.

Again, we check our assumptions against a DCF using our new forecasts for Freedom (reflecting our 15/10 thesis), and come out confident that this valuation methodology and level make sense.

In Summary: Our Wireless Valuation Estimates Have Also Improved - Our NAV Gained ~$2.00 Per Share

Core Wireline Remains Stable And Mature - Cost Cutting Plan Is The Focus

Our Forecast For Shaw's Core Segment Is Largely Unchanged

In reassessing our Shaw thesis, we have also worked through our outlook and forecasts for the core broadband/video/voice model to see where we might also need an update. In the end, we have made only minor adjustments to these segments, mostly from a subscriber perspective, but again, quite minor.

Broadband Is King, But Overall Outlook Is Quite Mature

We continue to view the core wired segment at Shaw (and its peers) as mature. While there is still some minor broadband growth to be had here and there, the overall outlook (once video and voice is considered) is not for growth from a subscriber standpoint, nor from a financial perspective. There remains some pricing power, again on broadband, such that revenue growth should stay flat for the near term (but ultimately declining), but the real objective for Shaw (and the entire industry) is to keep EBITDA robust by rightsizing the cost base for these mature realities.

Shaw's Aggressive Cost Cutting Plan Is A Bold, But Required, Plan For Wireline

Shaw has undertaken an aggressive plan to materially reduce costs over the next few years through voluntary buyouts that will result in some 25% of its employees (3,300) leaving within the next few years. Virtually none of this cost focus speaks to wireless, it is all an attempt to reduce the wireline (and some corporate) cost structure.

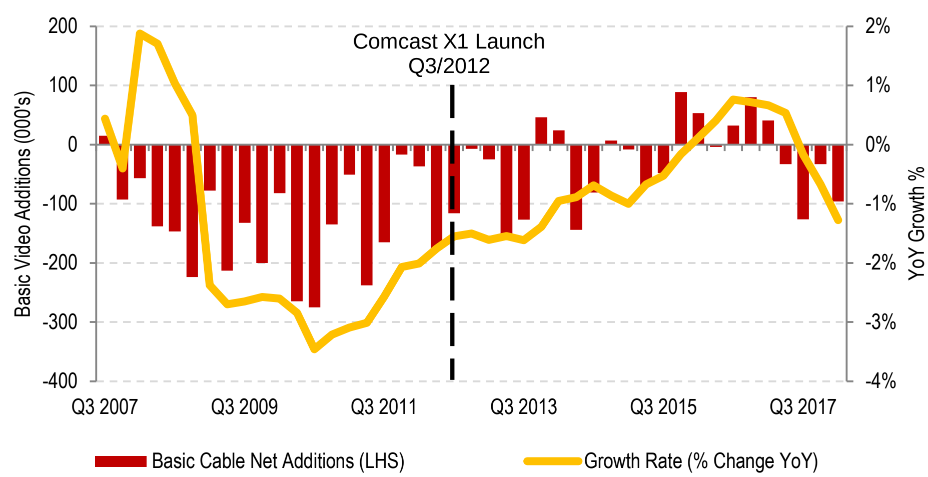
The savings from the plan are material, with run rate expectations of some $48 million in 2018E, up to $150 million in 2019E and settling at about $215 million per annum by 2020E. There are heavy upfront costs related to these moves, as Shaw was very generous with the packages; however, the end result in a year or two will be a significantly lower cost structure that is more in tune with the realities of the mature core business. These moves should help to materially boost margins, and protect absolute EBITDA in the interim, and especially when top line inevitably starts to decline.

Having said all that, to date, we had largely modelled the full benefits of the plan as laid out by Shaw, and continue to believe that its estimates are doable. As such, we have not had to make any adjustments to our wireline financial forecasts as a result of this cost cutting plan.

X1 Benefits Are There, Just Not As Bullish From A Growth Perspective As The Comcast Example

We previously published a "Beyond The Headlines" report in 2017 that looked specifically at the X1 precedent at Comcast, where the cloud-based IP platform at the cableco appeared to contribute to a resurgence in competitive strength for its video product (dragging with it added broadband gains at the same time). Given that Shaw (and Rogers and Videotron) were also on board for rolling out the X1 platform in Canada, we posited that we could expect see a similar positive outcome for the cablecos in Canada, such that perhaps some minor recovery in growth in video, and a boost to broadband, could develop here as well.

Exhibit 9. Comcast Video Subscriber Trends Pre and Post X1 Launch



Source: Company reports and CIBC World Markets Inc.

It would appear that the gains at Comcast were somewhat prematurely extrapolated, and we are again more inclined to think of the X1 opportunity as a defensive offer to shore up against further maturity declines for the video base, while at the same time offering a host of efficiency gains for the operators. As such, it's not so much about X1 bringing a bit of a resurgence in subscribers, but rather helping to add relative stability in subscribers, while capturing efficiency gains.

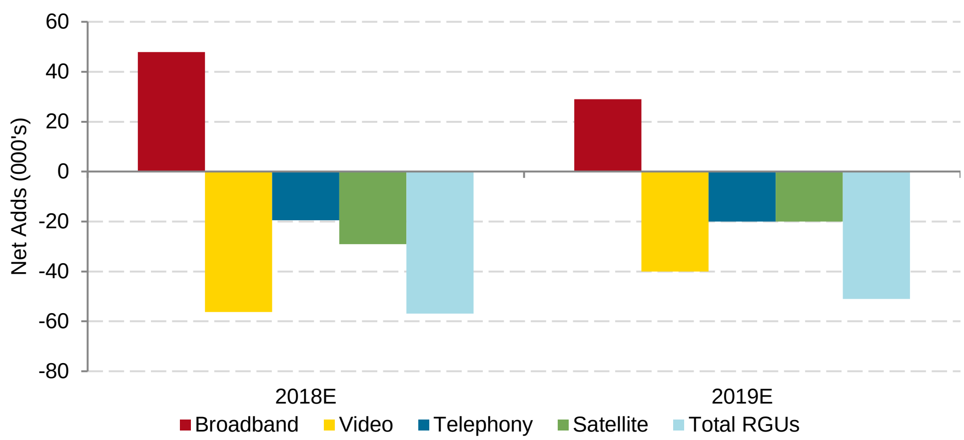
This X1 outcome fits well with how we see the situation at Shaw. We are not looking for a resurgence in growth, but we also recognize that the ability for Shaw to take such aggressive actions on costs for the wired segment is largely made possible by the X1 benefits to the network. This speaks to all areas of the ecosystem, eliminating many of the back office and provisioning needs of historical cable platforms. There once was a time when we had a cost line for "truck rolls" in our cable models, but those days are now long gone and moving even faster, with X1 being a big catalyst.

Net Net, We Haven't Changed Much In Our Wireline Subscriber Forecasts

Again, our wireline financials have not changed, as we had previously reflected the cost cutting benefits (and upfront costs). We had, however, at the margin, reflected some uncertainty in forecasted wired subscriber performance where 25% of the workforce was on their way out. It seemed reasonable to assume that some subscriber execution would suffer somewhere, somehow, given such a drastic change in employees. We had offset this minor negative expectation with the positive elements of our X1 thesis, which saw gains coming on the subscriber front as a result of the X1 effect, ala Comcast.

We have now reversed those views a touch, as the X1 gains are likely not on the table, but at the same time, we are more comfortable that the X1 efficiencies can be utilized in a way that subscriber fulfillment does not suffer. The net effect of this is that our subscriber numbers are largely unaffected by this change in thesis (Exhibit 10).

Exhibit 10. Shaw Wireline Subscriber Forecast



Source: Company reports and CIBC World Markets Inc.

In Summary: Wireline Maturity Is Well Known, And Shaw's Cost-cutting Plan Is A Bold Move To Right-Size

To Conclude, Our Shaw Target Goes To $30 From $28 - Upgrading To Outperform From Neutral

We Have Increased Our price Target To $30 On The Back Of Our Wireless Reassessment

On the back of our reassessment of Shaw's wireless opportunity, and a fine-tuning of our wireless asset valuation, we have increased our 12-18 month target price on Shaw to $30 from $28 previously. We expect continued quarter-over-quarter execution by Shaw to capture these gains, as the wireless opportunity is realized. We expect the core business to remain stable, and benefits from cost-cutting to accrue. There will be noise initially, as the upfront costs of the layoffs take hold; however, we believe that investors should look through this to the realized benefits into F2019 and beyond.

We Are Upgrading To Outperformer – An Implied Premium To Peers Given The Strong Wireless Opportunity

Given our new $30 price target, our forecast total return over the next 12-18 month is ~20%, reflecting reasonable return expectations and a strong dividend in support. Within our cable/telecom coverage list, this expected return profile positions Shaw shares as an attractive buy-and-hold candidate versus peers. Valuations in the space are incredibly tight, and while our new target reflects a premium to Shaw over the group, we believe this makes sense when the full scope of the wireless growth opportunity is considered.

As such, we are upgrading Shaw to Outperformer from our previous Neutral rating.

Exhibit 11. North American Cable/Telecom/Wireless Comparables – Priced As Of June 4, 2018

	Market Data		Valuation			
	Price	Div	EV/EBITDA		P/E	
Company Name	(Local)	Yield	2018E	2019E	2018E	2019E
Cablecos						
Rogers Communications Inc.[1]	$ 60.58	3.2%	8.0x	7.8x	14.6x	14.2x
Shaw Communications Inc.[1]	$ 26.15	4.5%	8.4x	7.9x	22.2x	19.5x
Cogeco Cable Inc.[1,]	$ 67.85	2.8%	6.6x	6.4x	9.3x	12.1x
Quebecor Inc.[1]	$ 25.24	0.9%	7.5x	7.3x	15.1x	12.9x
Canadian Cableco Average			**7.6x**	**7.3x**	**15.3x**	**14.7x**
Comcast Corp.	$ 31.26	2.4%	7.1x	6.8x	12.5x	11.4x
Charter Communications	$ 261.87	0.0%	8.3x	7.9x	NM	NM
U.S. Cableco Average			**7.7x**	**7.3x**	**12.5x**	**11.4x**
North American ILECs						
BCE Inc.[1]	$ 54.00	5.6%	8.1x	7.9x	15.4x	15.2x
TELUS Corp.[1]	$ 45.57	4.6%	7.9x	7.7x	16.1x	15.7x
Cdn. Ilec Average			**8.0x**	**7.8x**	**15.8x**	**15.5x**
AT&T Inc.	$ 32.47	6.2%	6.2x	6.2x	9.5x	9.4x
Verizon Communication	$ 47.81	4.9%	6.6x	6.5x	10.5x	10.3x
U.S. Ilec Average			**6.4x**	**6.3x**	**10.0x**	**9.8x**
Wireless Carriers						
Sprint Nextel Corp.	$ 5.20	0.0%	4.8x	4.6x	NM	NM
T-Mobile US	$ 56.87	0.0%	6.7x	6.2x	17.3x	14.1x
Wireless Average			**5.8x**	**5.4x**	**17.3x**	**14.1x**

Note 1: For companies under coverage, we use CIBC World Market Inc. estimates. All other estimates from FactSet and Bloomberg.

Source: Company reports and CIBC World Markets Inc.

Price Target Calculation

Our price target calculation for Shaw is based on a hybrid NAV and EV/Subscriber approach. Specifically, we apply a 7.5x multiple against our F2019E Consumer and Business Network Services EBITDA estimate to derive a target value for these businesses. As noted above, we have adopted an EV/Subscriber approach to value Shaw's burgeoning wireless business using a target of $2,500/subscriber. Finally we value Shaw's 38% investment in Corus at market (using recent prices). Using F2019 estimates, our total valuation for Shaw is ~$19.275 billion, from which we subtract our beginning of year net debt estimate to arrive at our 12-to 18-month price target of $30 per share.

Exhibit 12. CIBC Shaw Valuation

	EBITDA F2019E	Target Multiple	Value
Consumer & BNS	1,968.2	7.5x	14,761.6
Wireless	220.6	[Note 1]	4,005.5
Total Shaw Communications Ops			**18,767.1**
Investments (@ Market)			
Corus Entertainment (38%)	$ 6.30	80.6	508.0
Total Shaw Communications			**19,275.0**
Less: Net Debt			4,246.0
Shaw Net Asset Value			**15,029.0**
NAV / Share			**$30.00**

Note 1	
Shaw Forecasted Wireless Subscribers Y/E 2019	1,602,185
Target EV/Subscriber	$ 2,500.00
Shaw Wireless Segment Target Value	**4,005.5**

Source: Company reports and CIBC World Markets Inc.

Key Risks To Price Target

Technology Risk

The rapid pace of technological change could have a major effect on the level of capital expenditure required by Shaw to stay competitive. A greater-than-expected change to the spending outlook could have a negative effect on our valuation. In addition, new technological developments could drive down demand for Shaw's current service offerings.

Regulatory Risk

The telecommunications landscape is heavily regulated and any changes to the current regulatory environment could negatively affect Shaw's operations.

Competitive Risk

Shaw operates in an increasingly competitive environment dominated by a few large players in most of its operations. This facilitates comparisons between individual companies, and makes relative performance very important.

Our EPS estimates are shown below:

	1 Qtr.	2 Qtr.	3 Qtr.	4 Qtr.	Yearly
2016 Current	$0.43A	$0.24A	$0.11A	$0.29A	$1.07A
2017 Current	$0.19A	$0.30A	$0.25A	$0.30A	$1.04A
2018 Prior	$0.23A	$0.28A	$0.31E	$0.33E	$1.15E
2018 Current	$0.23A	$0.28A	$0.34E	$0.33E	$1.18E
2019 Prior	--	--	--	--	$1.31E
2019 Current	--	--	--	--	$1.34E

Our EBITDA ($mln) estimates are shown below:

	1 Qtr.	2 Qtr.	3 Qtr.	4 Qtr.	Yearly
2016 Current	--	--	--	--	$2114.0A
2017 Current	--	--	--	--	$1997.0A
2018 Prior	--	--	--	--	$2055.0E
2018 Current	--	--	--	--	$2063.0E
2019 Prior	--	--	--	--	$2162.6E
2019 Current	--	--	--	--	$2188.8E

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BCE Inc. (2g, 7, 9) (BCE-TSX, $54.18)
Cogeco Communications Inc. (2g, 12) (CCA-TSX, $68.21)
Corus Entertainment Inc. (2g, 13) (CJR.B-TSX, $6.62)
Quebecor Inc. (2g, 7, 12) (QBR.B-TSX, $25.46)
Rogers Communications Inc. (2a, 2c, 2g, 7, 13) (RCI.B-TSX, $60.84)
TELUS Corporation (2a, 2c, 2e, 2g, 7, 9, 13) (T-TSX, $45.67)

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Abbreviation	Rating	Description
Stock Ratings		
OP	Outperformer	Stock is expected to outperform similar stocks in the coverage universe during the next 12-18 months.
NT	Neutral	Stock is expected to perform in line with similar stocks in the coverage universe during the next 12-18 months.
UN	Underperformer	Stock is expected to underperform similar stocks in the coverage universe during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted (due to potential conflict of interest) from rating the stock.
Stock Ratings Prior To December 09, 2016		
SO	Sector Outperformer	Stock is expected to outperform the sector during the next 12-18 months.
SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
NR	Not Rated	CIBC World Markets does not maintain an investment recommendation on the stock.
R	Restricted	CIBC World Markets is restricted (due to potential conflict of interest) from rating the stock.
Sector Ratings (note: Broader market averages refer to S&P 500 in the U.S. and S&P/TSX Composite in Canada.)		
O	Overweight	Sector is expected to outperform the broader market averages.
M	Marketweight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

"Speculative" indicates that an investment in this security involves a high amount of risk due to volatility and/or liquidity issues.

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(as of 05 Jun 2018)	Count	Percent	Inv. Banking Relationships	Count	Percent
Outperformer (Buy)	152	48.7%	Outperformer (Buy)	144	94.7%
Neutral (Hold/Neutral)	141	45.2%	Neutral (Hold/Neutral)	124	87.9%
Underperformer (Sell)	12	3.8%	Underperformer (Sell)	12	100.0%
Restricted	7	2.2%	Restricted	7	100.0%

Ratings Distribution: Consumer Discretionary Coverage Universe

(as of 05 Jun 2018)	Count	Percent	Inv. Banking Relationships	Count	Percent
Outperformer (Buy)	13	41.9%	Outperformer (Buy)	11	84.6%
Neutral (Hold/Neutral)	17	54.8%	Neutral (Hold/Neutral)	14	82.4%
Underperformer (Sell)	1	3.2%	Underperformer (Sell)	1	100.0%
Restricted	0	0.0%	Restricted	0	0.0%

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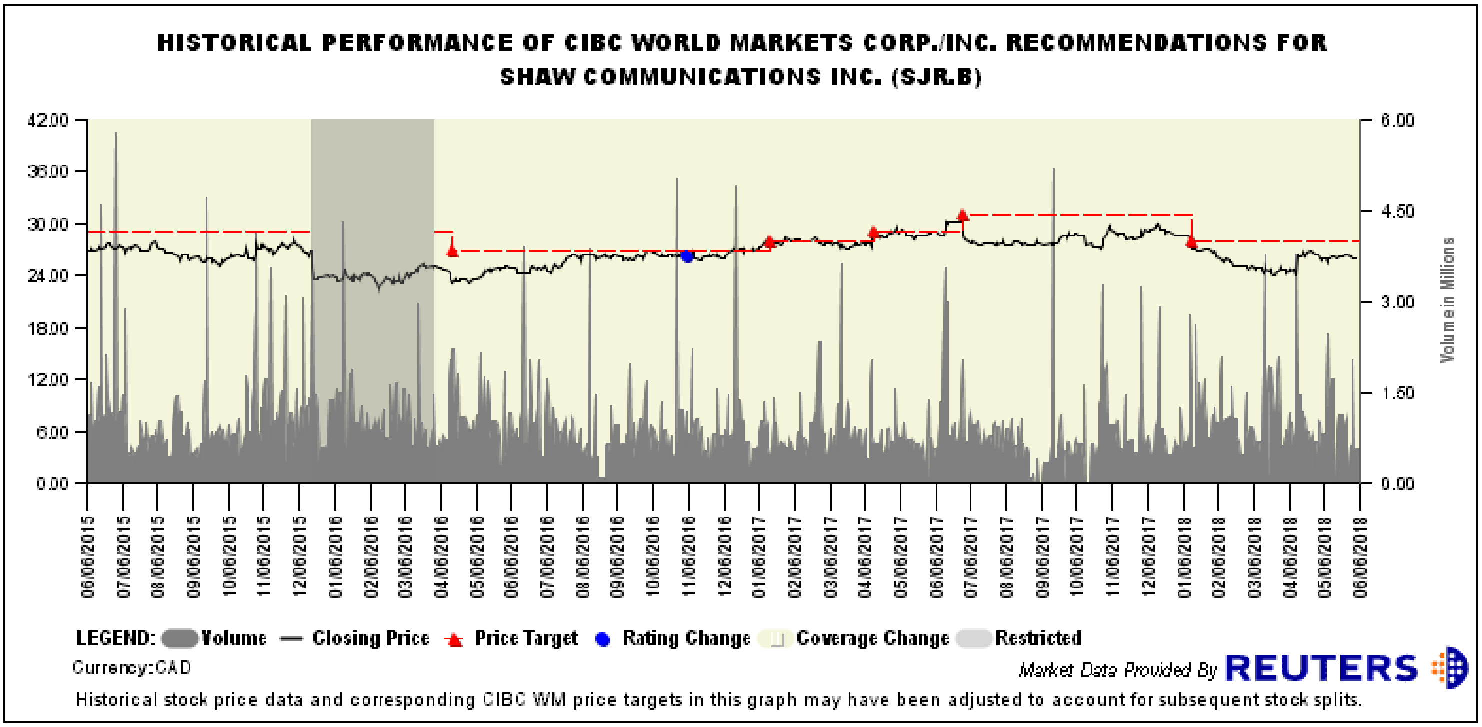
CIBC World Markets Corp./Inc. Price Chart



HISTORICAL PERFORMANCE OF CIBC WORLD MARKETS CORP./INC. RECOMMENDATIONS FOR SHAW COMMUNICATIONS INC. (SJR.B)

Date	Change Type	Closing Price	Rating	Price Target	Coverage
12/16/2015	■	26.97	R	-	Robert Bek, CFA
03/31/2016	■	25.09	SP	29.00	Robert Bek, CFA
04/14/2016	▲	23.54	SP	27.00	Robert Bek, CFA
11/02/2016	●	26.25	NT	27.00	Robert Bek, CFA
01/12/2017	▲	27.66	NT	28.00	Robert Bek, CFA
04/12/2017	▲	28.77	NT	29.00	Robert Bek, CFA
06/28/2017	▲	30.14	NT	31.00	Robert Bek, CFA
01/11/2018	▲	27.16	NT	28.00	Robert Bek, CFA

The chart above reflects the combined historical recommendations of CIBC World Markets Corp. and CIBC World Markets Inc.

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This is Exhibit 77 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

Shaw Communications

BMO Capital Markets

Sector Recommendation
Market Perform

Issuer Recommendation
Sector Perform

Corporate Debt - Telecom/Media/Cable

Joanne Chen, CFA Analyst
joannej.chen@bmo.com (416) 359-8108

Nicole Wang, CFA Associate
nicolel.wang@bmo.com (416) 359-5633

Legal Entity: BMO Nesbitt Burns Inc.

Q2/19: In Line; Wireline Execution Still a Work in Progress

Event: Shaw reported Q2/19 earnings on April 9, 2019.

Bottom Line: Q2/19 earnings were largely in line and neutral from a corporate debt perspective as the quarter largely reflected a continuation of recent trends in wireline and wireless. Leverage remained steady at ~1.9x and the company's strong liquidity position was maintained ($1.3 billion cash on hand and a fully undrawn $1.5 billion credit facility). We recognize the potential for a rating upgrade to BBB from Moody's, but remain cognizant of the ongoing execution risks in the wireline business.

Key Points:

- **Wireline: Still trying to balance profitability and growth amidst tough competitive environment.** Subscriber metrics continued to deteriorate in Q2/19 as ongoing VDP departures weigh and the competitive environment remained intense. Cable net losses of -30K in Q2/19 was elevated from the -18K posted a year earlier. Internet net adds were stronger at +10K (vs. +6K in Q2/18). Revenue remained largely flat at ~$1.1 billion while ongoing cost-cutting initiatives drove a +6.9% y/y growth in adjusted EBITDA to $497 million.
- **Wireless: Growth moderates but still healthy.** Postpaid net adds moderated from recent levels but remained decent at +65K (vs. +94K a year earlier), driven by ongoing demand for premium smartphones and attractive package options. Prepaid net adds declined substantially by -17K in Q2/19, due in part to the migration to postpaid but also due to an increasingly competitive environment in the segment. Postpaid churn was 1.36% vs. 1.66% a year earlier. ABPU growth was slightly below expectations at +7.5% to $41.34 (consensus 9.4%). Financial results were mixed, as overall revenue came in softer than expected on the back of the lower ABPU growth while adjusted EBITDA growth was slightly ahead given significantly lower handset subsidies.
- **F2019 guidance reaffirmed.** 1) Operating income growth of 4-6%, 2) capex ~ $1.2 billion, and 3) free cash flow (as per company and includes distribution from Corus) of ~$500 million.
- **Positive trend remains from Moody's.** We note that the positive trend on Shaw's Baa3 has been in place since June 2017, following the company's sale of ViaWest. The positive trend was maintained in the last annual review in June 2018. An upgrade could be warranted if Shaw delivers 1) consistent and solid execution, 2) positive/stable EBITDA growth in wireline, 3) increasing wireless growth, and 4) leverage remaining between 2.5-3.0x and breakeven FCF/total debt with solid liquidity.

New Issuance

Shaw's liquidity position remained very strong at the end of Q2/19, with $1.3 billion of cash on hand and a fully undrawn $1.5 billion credit facility. Shaw does have a sizable maturity later this year ($1.25 billion) and we expect the company will be quite active in the current 600 MHz spectrum auction. Given the strong liquidity position, we expect any issuance from Shaw for the remainder of the year to be opportunistic (up to $450 million).

Recommendation & Relative Value

Shaw is currently trading ~22bps back of the Big 3 in the mid part of the curve, recovering from the wides of ~35bps at the end of 2018 and largely in line with the past year. In the long end, Shaw is trading ~43bps back of the Big 3. At current levels, we believe spreads are fairly valued, as our expectation for ongoing execution risks related to the turnaround of its wireline business is balanced by the potential for a positive rating action and manageable supply for the remainder of 2019.

Quarterly Results & Key Credit Statistics

Financial Highlights					
Results ($mm)	Q2/18	Q2/19	Cons.	Y/Y Change	Vs. Cons.
Revenue	$1,329	$1,316	$1,366	-1%	-4%
EBITDA	$483	$549	$524	14%	5%

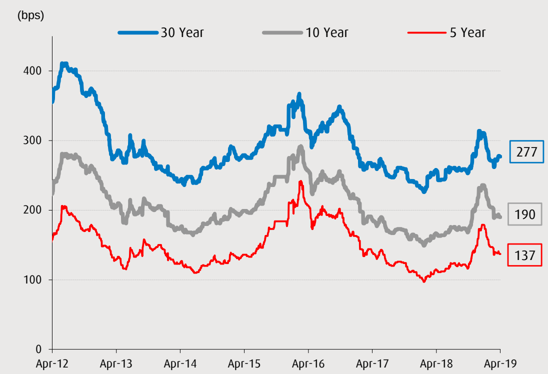
Spread Performance			
(bps)	5-Year	10-Year	30-Year
LTM(Min-Max)	111 - 179	163 - 236	243 - 314
Current	137	190	277

Credit Metrics			
	Q2/18	Q1/19	Q2/19
Net Debt/EBITDA	2.1x	2.0x	1.9x
EBITDA/Interest	7.3x	8.6x	8.8x

Ratings Summary			
	DBRS	S&P	Moody's
Rating	BBB (low)	BBB-	Baa3
Outlook	Stable	Stable	Positive

Maturity and Issuance Summary			
Year	Maturities	Issuance	Remaining
2019	$1,250	$0	$450
2018	$0	$1,000	n/a
2017	$400	$300	n/a

Shaw Communications Indicative Spreads



All data sourced from Company Reports and BMO Capital Markets

Q2/19 Segmented Results

Exhibit 1: Segmented Results

	Revenue (C$ mm)			EBITDA (C$ mm)			EBITDA Margin		
	Q2/18	Q2/19	Y/Y Change	Q2/18	Q2/19	Y/Y Change	Q2/18	Q2/19	Y/Y Change
Wireline	1,066	1,071	0.5%	465	497	6.9%	43.6%	46.4%	278 bps
Wireless	264	247	(6.4%)	18	52	n/a	6.8%	21.1%	n/a
Consolidated	**1,329**	**1,316**	**(1.0%)**	**483**	**549**	**13.7%**	**36.3%**	**41.7%**	**537 bps**

Source: Company reports

Key Credit Metrics

Exhibit 2: Credit Metrics

Credit Metrics					
	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19
Net Debt/EBITDA (LTM)	2.1x	2.0x	1.9x	2.0x	1.9x
EBITDA/Interest (LTM)	7.3x	8.1x	8.5x	8.6x	8.8x

Source: Company reports

F2019 Guidance

Exhibit 3: Guidance

Guidance (in millions)	2018 Actual	2018 Y/Y Growth	2019 Guidance
Adjusted Operating Income (before restructuring)	$2,089	4.6%	4-6%
Adjusted Capital Investment	$1,367	11.6%	~$1,200
Free cash flow (as per company)	$411	-6.2%	>$500

Source: Company reports

Consumer Wireline Metrics

Exhibit 4: Video Net Adds/Losses (000's)

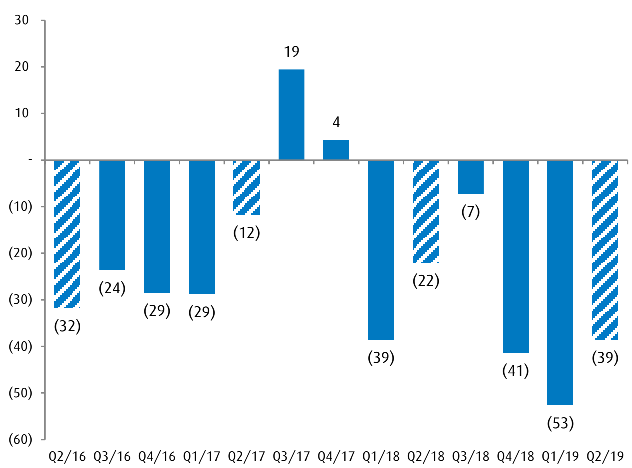
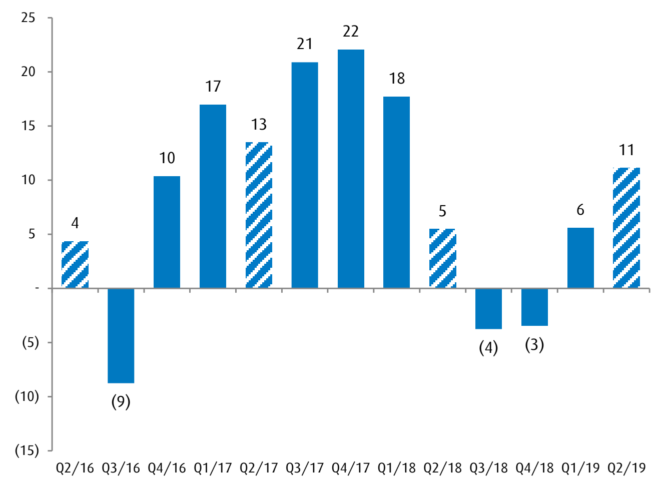


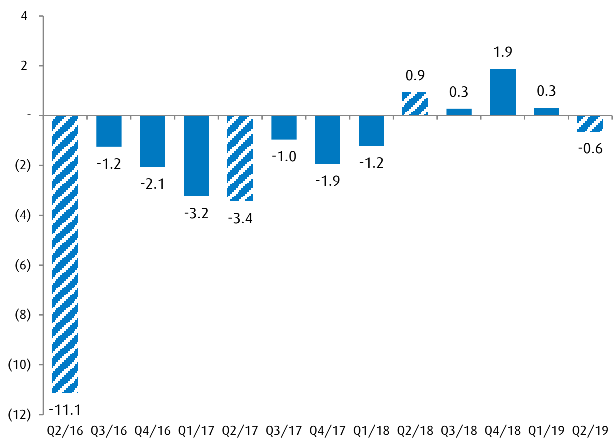
Exhibit 5: Internet Net Adds/Losses (000's)



*Video metrics reflect both cable and satellite.
Source: BMO Capital Markets; Company Reports

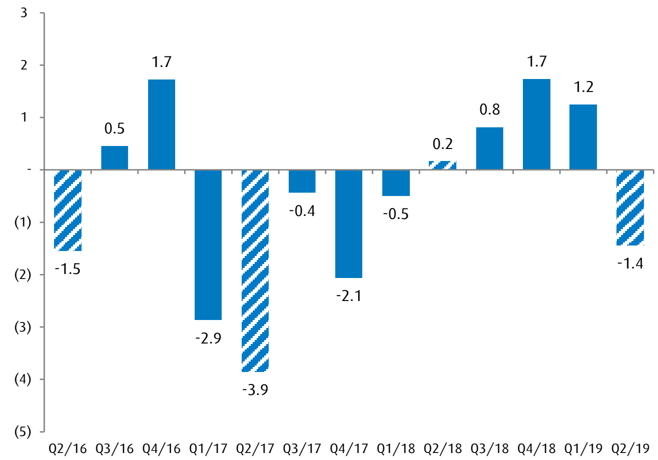
Business Network Services Metrics

Exhibit 6: Video Net Adds/Losses (000's)



*Video metrics reflect both cable and satellite.
Source: BMO Capital Markets; Company Reports

Exhibit 7: Internet Net Adds/Losses (000's)



Wireless Metrics

Exhibit 8: Postpaid Net Adds (000's)

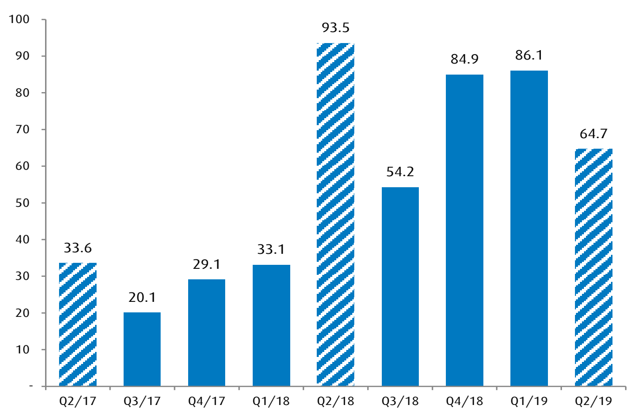
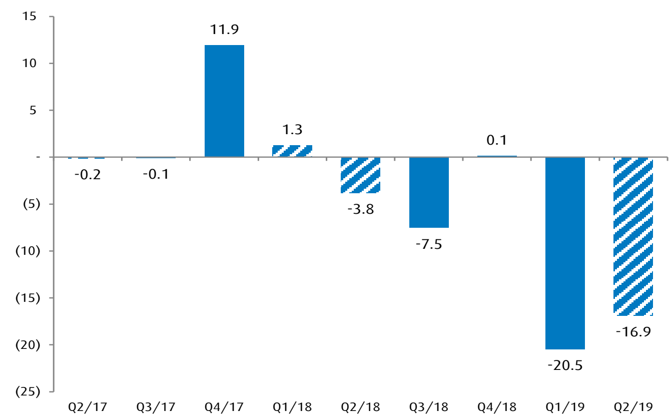
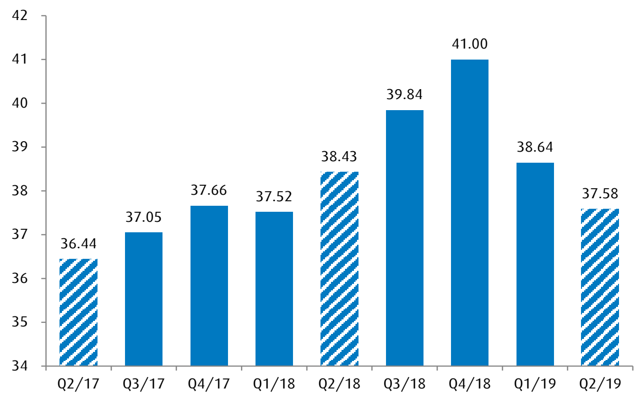


Exhibit 9: Pre-paid Net Adds/Losses (000's)



Source: BMO Capital Markets; Company Reports

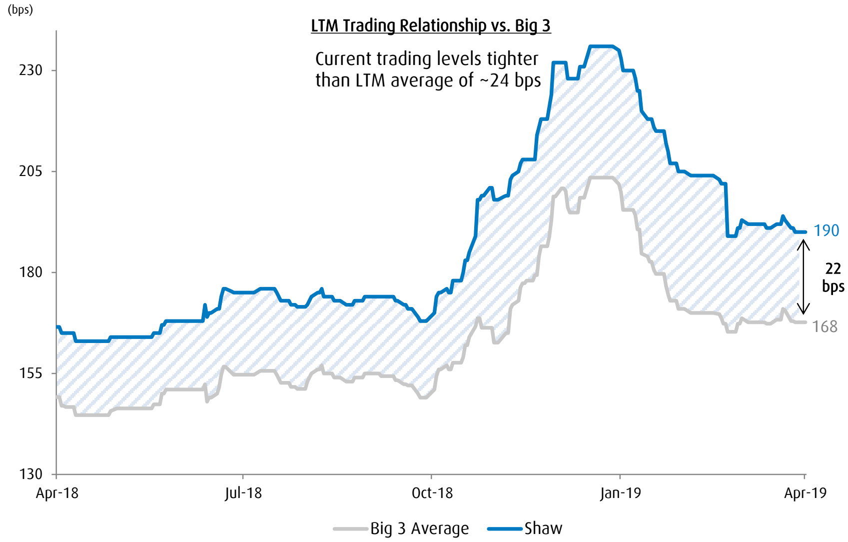
Exhibit 10: ARPU ($/month)



Source: BMO Capital Markets; Company Reports

Trading Relationship vs. Big 3

Exhibit 11: Shaw vs. Big 3 Average (10yr)



Source: BMO Capital Markets, FTSE TMX Canada

Risks to our Recommendation

Risks to our recommendation include, but are not limited to: heightened competitive landscape, Canadian economic weakness, regulatory and/or political uncertainty, and issuer-specific credit weakness.

Shaw Communications Inc.

Selected Maturity Schedule

Company	Coupon	Maturity	Amount (C$ mm)	Instrument	Issue Date	Issue Spread	Callable	Cusip	Outstanding (C$ mm)	CoC Clause
Shaw Communications	5.650%	1-Oct-2019	1,250	Senior Unsecured	1-Oct-2009	230 bps	Make Whole (+57.5 bps)	82028KAP6	1,250	Yes
	5.500%	7-Dec-2020	500	Senior Unsecured	7-Dec-2010	230 bps	Make Whole (+57.5 bps)	82028KAR2	500	Yes
	3.150%	19-Feb-2021	300	Senior Unsecured	19-Feb-2016	255 bps	Make Whole (+63.5 bps)	82028KAV3	300	Yes
	3.800%	2-Nov-2023	500	Senior Unsecured	1-Nov-2018	144 bps	Make Whole (+35.5 bps)	82028KAX9	500	Yes
	4.350%	31-Jan-2024	500	Senior Notes	31-Jan-2014	185 bps	Make Whole (+46 bps)	82028KAT8	500	Yes
	3.800%	31-Mar-2027	300	Senior Unsecured	28-Feb-2017	202 bps	Make Whole (+48 bps)	82028KAW1	300	Yes
	4.400%	2-Nov-2028	500	Senior Unsecured	2-Nov-2018	201 bps	Make Whole (+50 bps)	82028KAY7	500	Yes
	6.750%	9-Nov-2039	1,450	Senior Unsecured	9-Nov-2009	280 bps	Make Whole (+70 bps)	82028KAQ4	1,450	Yes

Source: BMO Capital Markets, Bloomberg

Ownership Structure

Shaw Communications Inc. is a holding company that owns 100% of Shaw Cable, 100% of Shaw Satellite, 100% of Freedom Mobile. It is controlled by the Shaw Family (79% voting / 11% economic interest).

Shelf Prospectus

Company	Prospectus Type	Amount (C$ mm)	Remaining (C$ mm)	Date	Expiry	Instruments
Shaw Communications	Short Form Base Shelf	3,000	2,000	29-Jan-2018	29-Feb-2020	Debt, Preferred, Shares, Warrants, Share Purchase Contracts

Source: SEDAR

Credit Facilities

Facility Type	Size (C$ mm)	Facility Used Q2/19	Facility Available Q2/19	Maturity
Bank Credit Facility	1,500	0	1,500	Dec-23

Lease Schedule

Year	Operating Lease Payments FYE 2018 (C$ mm)
<1 year	241
1 - 3 years	322
3 - 5 years	266
>5 years	1,636
Total	**2,465**

Source: Company Reports

Principal Payment Schedule

Year	FYE 2018 (C$ mm)
2019	1
2020	1,251
2021	801
2022	1
2023	1
Thereafter	2,295
Total	**4,350**

Source: Company Reports

Pension Summary

	Registered FYE 2018 (C$ mm)	Registered FYE 2017 (C$ mm)
Accrued Benefit Obligation	446	532
Plan Assets	436	433
Funded Status	(10)	(99)
Discount rate (BO)	3.70%	3.50%
Expected Long Term Return on Assets (BE)	N/A	N/A
Rate of Future Compensation Increases (BO)	3.00%	3.00%

Note: Shaw communications has two non-registered retirement plans for designated executives a registered pension plans for certain employees in the media business

Source: Company Reports

Selected Historical Ratings

DBRS Rating	DBRS Trend	DBRS Date	S&P Rating	S&P Trend	S&P Date	Moody's Rating	Moody's Trend	Moody's Date
BBB (low)	Stable	11-Mar-16	BBB-	Stable	19-Jun-17	Baa3	Positive	13-Jun-17
BBB	UR-Neg.	17-Dec-15	BBB-	Neg.	15-Jan-16	Baa3	Stable	16-Mar-09
BBB	Stable	6-May-09	BBB-	CW-Neg	17-Dec-16	Ba1	UR-Pos.	23-Jan-09
BBB (low)	Positive	3-Mar-08	BBB-	Positive	27-Jan-14	Ba1	Stable	6-Feb-07
BBB (low)	Stable	20-Feb-07	BBB-	Stable	10-Dec-08	Ba2	Stable	18-Dec-02
BB (high)	Positive	22-Feb-05	BB+	Positive	7-Feb-07	Baa3	UR-Neg.	25-Sep-02
BB (high)	Stable	11-Feb-03	BB+	Stable	27-Oct-05	Baa3	Stable	21-Nov-01
BBB (low)	UR-Neg.	17-Jan-03	BB+	Positive	3-Mar-05	Baa2	Neg.	2-Mar-01
BBB (low)	Neg.	26-Nov-02	BB+	Stable	24-Feb-03	Baa2	Stable	29-Mar-00
BBB	Neg.	22-May-02	BBB-	Neg.	13-Dec-02			
BBB	Stable	29-Oct-01	BBB	CW-Neg	5-Nov-02			
BBB (high)	Stable	14-Mar-00	BBB	Stable	27-Nov-01			
BBB	Stable	12-Sep-97	BBB+	Neg.	7-Dec-00			
			BBB+	Stable	28-Mar-00			

IMPORTANT DISCLOSURES

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I, Joanne Chen, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Buy	top pick	17.1 %	71.4 %	19.2 %
Buy	outperform	4.9 %	50.0 %	3.9 %
Hold	sector perform	73.2 %	63.3 %	73.1 %
Sell	underperform	2.4 %	0.0 %	0.0 %

† Reflects recommendation distribution of all companies covered by BMO Capital Markets debt research analysts.

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sector perform = Forecast to provide an appropriate risk/reward and/or total return is expected to be in line with the sector average

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This is Exhibit 78 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

BARCLAYS

Equity Research
28 June 2019

Shaw Communications Inc.

Healthy Wireless; looking for more consistent Wireline

Maintain OW, $33 PT: We believe the F'Q3 results reflect continued progress as management execute to better position the company to capture the growth opportunities in wireless and broadband. While management raised full-year guidance to ~6% EBITDA growth from 4-6%, it was underwhelming given we/Street had been expecting 7% growth and it implied negative EBITDA growth next quarter. Concerns on Wireless from the Big 3's recent launch of unlimited plans appears overdone, in our view. However, we believe management must demonstrate greater improvements and more consistent results in Wireline in F'20 for the stock to move beyond its current trading range. We maintain our OW rating and PT of $33 because we believe the issues in Wireline are manageable, and should not overshadow the opportunity in Wireless.

Wireless well positioned despite Big 3's launch of unlimited plans: Overall F'Q3 Wireless metrics were better than we had expected, driven by the strong postpaid net adds (+61k vs. our/cons +60k/+56k) and record low churn (1.18% vs. our 1.30%, last year 1.36%), which management attributed to network improvements and affordable data plans. ARPU growth was once again the blemish (2.2% vs. our/cons 3.2%/4.0%) due to greater discounting in a "very competitive environment" and increasing mix of BYOD subs. Management has not seen any meaningful impact in F'Q4 from the Big 3's recent launch of unlimited plans, and are optimistic it may help reaccelerate ARPU growth over time. They also expect subscribers on competitor networks coming off 2-year contracts from the iPhone 8 and X launches will increase their subscriber growth opportunity. While the Street assumes the Big 3's launch of unlimited plans will have a net negative impact on Shaw, we believe Wireless remains well positioned to gain subscriber share supported by its 1) improving network; 2) ongoing footprint expansion in W. Canada; and 3) nascent market share. We estimate F'Q4 revenue/EBITDA growth of 15%/60%.

Wireline volatility remains a distraction: Overall Wireline results were slightly below expectations due to weakness in TV (-29k vs. our/cons -30k/-23k) and phone (-16k vs. our/cons -5k/-7k), even though broadband continued to strengthen (+7k vs. our/cons +8k/+5k) we believe helped by an improved offering targeting Internet-only households. Financials were largely in line, excluding the $15m 1x license payment. Management said broadband self-installs increased to 41% and truck rolls are down 30%. However, the updated guidance implies negative EBITDA growth in F'Q4, due to tougher comps and likely ongoing opex investments in Cable. We estimate F'Q4 revenue/EBITDA growth of 0.8%/-7.0%.

EARNINGS REVIEW

Canadian Telecommunications, Media, and Technology
NEUTRAL
Unchanged

For a full list of our ratings, price target and earnings changes in this report, please see table on page 2.

Canadian Telecommunications, Media, and Technology
Phillip Huang
+1 416 863 8968
phillip.huang@barclays.com
BCCI, Canada

Ali Taha
+1 416 863 8962
ali.taha@barclays.com
BCCI, Canada

Summary of our Ratings, Price Targets and Earnings Changes in this Report (all changes are shown in bold)

Company	Rating		Price	Price Target			EPS FY1 (E)			EPS FY2 (E)		
	Old	New	27-Jun-19	Old	New	%Chg	Old	New	%Chg	Old	New	%Chg
Canadian Telecommunications, Media, and Technology	Neu	Neu										
Shaw Communications Inc. (SJR/B CN / SJR-B.TO)	OW	OW	26.74	33.00	33.00	-	1.29	**1.55**	20	1.40	**1.41**	1
Shaw Communications Inc. (SJR)	OW	OW	20.38	25.00	25.00	-	1.29	**1.55**	20	1.40	**1.41**	1

Source: Barclays Research. Share prices and target prices are shown in the primary listing currency and EPS estimates are shown in the reporting currency.
FY1(E): Current fiscal year estimates by Barclays Research. FY2(E): Next fiscal year estimates by Barclays Research.
Stock Rating: OW: Overweight; EW: Equal Weight; UW: Underweight; RS: Rating Suspended
Industry View: Pos: Positive; Neu: Neutral; Neg: Negative

Investment Thesis

We believe the F'Q3 results reflect continued progress as management execute to better position the company to capture the growth opportunities in wireless and broadband. While management raised full-year guidance to ~6% EBITDA growth from 4-6%, it was underwhelming given we/Street had been expecting 7% growth and it implied negative EBITDA growth next quarter. Concerns on Wireless from the Big 3's recent launch of unlimited plans appears overdone, in our view. However, we believe management must demonstrate greater improvements and more consistent results in Wireline in F'20 for the stock to move beyond its current trading range. We maintain our OW rating and PT of $33 because we believe the issues in Wireline are manageable, and should not overshadow the opportunity in Wireless.

Our price target is based on 9x (unchanged) our EBITDA estimate using our F'2020 estimates reflecting the strong growth in Wireless and its expected contribution to EBITDA growth in the coming years.

Thoughts from the quarter

Management expect EBITDA growth of 6% and FCF $550m; F'19 on track beyond the noise, in our view

- EBITDA was impacted by a 1x ~$15m IP license related payment. Excluding this and the 1x CRTC roaming benefit payment of ~$13m in F'Q3 2018, EBITDA would have grown ~3.8% to ~$545m.

- VDP related departures were 350 employees in the quarter with YTD net opex and net capex savings of $33m and $25m, respectively. For F'19 total net opex and net capex savings are expected to be $95m and $40m, respectively (largely in line with the total of $140m guided to earlier). VDP payments are expected to be ~$175m over the next 12m.

- $5m of opex savings were reinvested in the business with management continuing to expect reinvesting a total of $10-15m in H2F'19 with ~60% of the spend recurring. F'Q4 reinvestment is expected to be at the same level as F'Q3 or higher.

- Management refined their guidance and now expect EBITDA growth of 6%, capex of ~$1.2b and FCF of ~$550m in F'19.

- During F'Q3, sale of ~39% stake in Corus was completed for ~$525m while ~$492m was spent on the 600MHz spectrum purchase.

Launch of unlimited plans by Big 3 could lead to ARPU growth acceleration opportunities

- Record low post-paid wireless churn of 1.18% with +61k net adds; pre-paid net adds swung back to positive territory (~820) after 5 quarters of mostly negative or flat subs. Management called out that the positive wireless results are due to an improved network, latest devices and affordable data plans.

- Management noted that the lower than expected ARPU growth in the quarter was due to the need for discounting of some plans for new subs in a very competitive environment as well as increased BYOD subs. However, they are still confident on their ARPU growth trajectory and believe that the launch of unlimited plans by the Big 3 may actually create an opportunity for them to accelerate ARPU growth. Further, management sounded an optimistic tone on subs on competitor networks coming off their 2-yr plans from when the iPhone 8 and iPhone X were initially launched noting this event as another potential opportunity.

- Wireless EBITDA growth would have been 37.5% after excluding the 1x CRTC roaming benefit payment of ~$13m in F'Q3 2018. Management noted that they are seeing margin expansion as the Wireless business scales and expect to continue to see gradual margin expansion over F'20.

- Management noted that while the incumbents have followed their strategy and recently launched similar (albeit higher priced) unlimited data plans, they have not seen any meaningful impact and are confident that the Wireless business will continue to perform well.

- Expect wireless capex spend pick-up in F'Q4 as deployment of 700MHz spectrum continues and the service is rolled out in 10 additional communities by the end of August. Total wireless capex is still expected to be ~$400m in F'19 and management do not see that increasing significantly over the "coming years."

Third consecutive quarter of positive internet net adds with focus in video remaining on profitable subs; launch and expansion of IPTV should help

- Management called out the improvement in broadband execution with +7k net adds (vs. -3k in F'Q3 2018) in a seasonally weak quarter (e.g. student disconnects) with self-install increasing to 41% and broadband revenue growth of 6% y/y; management expect the positive trend in self-install to continue and also highlighted the improvement in video churn y/y and truck rolls down by 30%.

- Shaw launched its IPTV service in Calgary recently and expect to roll the service to additional markets over the next several months noting the lower success-based capex associated with the rollout, lower service delivery cost due to self-install and focus on driving profitable video subs growth.

- Wireline EBITDA growth would have been ~1% after excluding the 1x ~$15m IP license related payment in the quarter. Management noted that they continue to see opportunities for margin improvement going forward.

- Management alluded to negative EBITDA growth in Q4'F19 due to a tougher comp from Q4'F18 which benefited from a more significant rate increase (vs. this year with a rate increase in April which was not as significant) so that the impact of the rate increase is not as pronounced as it was last year.

FIGURE 1

Shaw F'Q3 results vs. Barclays estimates and consensus

(C$ millions unless otherwise noted) *Stock reaction: +0.30%*	Q3F18A	Q3F19A	y/y Δ	Q3F19E	y/y Δ	Beat/miss	Consensus	y/y Δ
Financial Metrics								
Segmented Revenue:								
Consumer	923	925	0.2%	917	-0.6%	beat	917	-0.7%
Business Networks	141	150	6.4%	151	6.9%	miss	149	6.0%
Total Wireline	**1,064**	**1,075**	**1.0%**	**1,068**	**0.4%**	beat	**1,066**	**0.2%**
Service	146	178	21.9%	180	23.1%	miss	186	27.3%
Equipment	80	73	-8.8%	85	6.7%	miss	83	4.2%
Total Wireless	**226**	**251**	**11.1%**	**265**	**17.3%**	miss	**272**	**20.2%**
Intersegment	-1	-2		-1			-1	
Total Revenue	**1,289**	**1,324**	**2.7%**	**1,332**	**3.3%**	**miss**	**1,336**	**3.7%**
Segmented EBITDA:								
Wireline	485	475	-2.1%	490	1.1%	miss	489	0.8%
Margin %	*45.6%*	*44.2%*	*-140 bps*	45.9%	0.7%	better	*45.9%*	29 bps
Wireless	53	55	3.8%	58	10.1%	miss	58	9.1%
Margin %	*23.5%*	*21.9%*	*-154 bps*	22.0%	-6.2%	better	*21.3%*	-216 bps
Total EBITDA	**538**	**530**	**-1.5%**	**549**	**1.9%**	**miss**	**547**	**1.6%**
Diluted EPS from continuing operations	$0.34	$0.60	79.2%	$0.30	-9.4%	beat	$0.32	-5.6%
Wireline capex	225	193	-14.2%	203	-9.8%	better	217	-3.4%
Wireless capex	68	87	27.9%	103	52.1%	better	99	45.4%
Total capex	**293**	**280**	**-4.4%**	**306**	**4.5%**	**better**	**315**	**7.5%**
Free Cash Flow	182	176	-3.3%	123	-32.3%	better	123	-32.2%
Operating Metrics								
Consolidated								
Cable TV net adds (k)	-17	-29	-12	-30	-14	beat	-23	-6
DTH net adds (k)	10	3	-7	5	-4	miss	5	-5
Internet net adds (k)	-3	7	10	8	11	miss	5	8
Telephone net adds (k)	-4	-16	-12	-5	-1	miss	-7	-2
Total PSU net adds (k)	**-14**	**-35**	**-21**	**-22**	**-7**	**miss**	**-19**	**-5**
Postpaid net adds (k)	54	61	7	60	6	beat	56	1
Wireless ABPU	$39.84	$42.30	6.2%	$42.43	6.5%	miss	$42.71	7.2%
Wireless ARPU	$37.54	$38.36	2.2%	$38.75	3.2%	miss	$39.05	4.0%
Postpaid churn	1.36%	1.18%	-18 bps	1.30%	-6 bps	better	na	na

Source: Company reports; Barclays Research estimates.

FIGURE 2

Barclays' Shaw Model Summary

	F2016	F2017	F2018	F2019E	F2020E	F2021E
Financial Metrics ($mlns except EPS)						
Segmented Revenue:						
Wireline	4,299	4,315	4,292	4,324	4,341	4,385
Wireless	280	604	901	1,047	1,300	1,515
Intersegment	-48	-24	-4	-6	-6	-6
Total Revenue	**4,531**	**4,895**	**5,189**	**5,366**	**5,635**	**5,895**
Segmented EBITDA:						
Wireline	1,933	1,870	1,913	1,952	2,049	2,077
Wireless	58	134	143	213	286	364
Total EBITDA	**1,991**	**2,004**	**2,056**	**2,165**	**2,335**	**2,440**
Adjusted EPS	$1.07	$1.26	$1.22	$1.55	$1.41	$1.51
Capital Expenditures	1,195	1,308	1,347	1,201	1,239	1,234
Free Cash Flow	421	439	399	528	621	718
Operating Metrics						
Cable TV subscribers (k)	1,732	1,722	1,635	1,525	1,465	1,421
Internet subscribers (k)	1,968	2,032	2,050	2,079	2,110	2,142
Telephone subscribers (k)	1,258	1,253	1,209	1,168	1,130	1,094
DTH subcribers (k)	822	805	785	753	730	712
Wireless subscribers (k)	1,043	1,147	1,403	1,676	1,965	2,220

Source: Company reports; Barclays Research estimates.

FIGURE 3

Canadian Telecom and Media comparables

	Price	Mkt Cap	Dividend	EV/EBITDA			P/E			EV/FCF			FCF Yield		
	Jun 27	(C$ mln)	Yield	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E	2018	2019E	2020E
BCE	$59.73	53,661	5.31%	9.0x	8.5x	8.2x	17.4x	16.8x	15.7x	18.8x	18.8x	18.8x	5.3%	5.3%	5.3%
Cogeco Cable	$94.01	4,649	2.23%	7.8x	7.6x	7.5x	17.2x	16.9x	11.7x	15.3x	19.8x	15.1x	6.6%	5.0%	6.6%
Cogeco	$83.28	1,402	2.07%	6.5x	6.4x	6.3x	9.6x	17.3x	10.9x	12.7x	16.4x	12.5x	7.9%	6.1%	8.0%
Corus	$6.19	1,312	3.88%	5.5x	5.4x	5.3x	5.4x	7.2x	5.2x	5.3x	7.1x	7.2x	18.8%	14.2%	13.9%
Quebecor	$31.07	7,954	2.90%	8.0x	7.9x	7.2x	15.1x	15.6x	12.7x	16.0x	17.2x	15.1x	6.3%	5.8%	6.6%
Rogers	$69.49	35,857	2.88%	8.4x	7.7x	7.6x	16.0x	15.4x	14.4x	23.3x	18.9x	18.9x	4.3%	5.3%	5.3%
Shaw	$26.74	13,691	4.43%	8.7x	8.3x	7.7x	22.0x	17.3x	18.9x	38.2x	31.3x	23.5x	2.6%	3.2%	4.3%
Telus	$48.34	29,004	4.65%	8.8x	7.9x	7.5x	16.9x	15.9x	14.4x	24.4x	27.8x	20.0x	4.1%	3.6%	5.0%
Average			**3.54%**	**7.8x**	**7.5x**	**7.1x**	**14.9x**	**15.3x**	**13.0x**	**19.2x**	**19.7x**	**16.4x**	**7.0%**	**6.1%**	**6.9%**

Source: Company reports, Barclays Research estimates, Refinitiv

Canadian Telecommunications, Media, and Technology | **Industry View: NEUTRAL**

Shaw Communications Inc. (SJR-B.TO)

Stock Rating: OVERWEIGHT

Income statement (CADmn)	2018A	2019E	2020E	2021E	CAGR
Revenue	5,189	5,366	5,635	5,895	4.3%
EBITDA	2,056	2,165	2,335	2,440	5.9%
EBIT	1,037	1,103	1,289	1,362	9.5%
Finance costs - net	248	260	294	294	5.8%
Pre-tax income	371	780	995	1,068	42.3%
Tax rate (%)	36	14	26	26	-10.4%
Net income	23	709	728	782	224.0%
EPS (adj) (CAD)	1.22	1.55	1.41	1.51	7.4%
Diluted shares (mn)	502.5	510.7	515.0	519.2	1.1%
DPS (CAD)	1.19	1.19	1.19	1.19	0.0%

Margin and return data					Average
EBITDA margin (%)	39.6	40.3	41.4	41.4	40.7
EBIT margin (%)	20.0	20.6	22.9	23.1	21.6
Pre-tax margin (%)	7.1	14.5	17.6	18.1	14.4
Net margin (%)	0.4	13.2	12.9	13.3	10.0
Operating CF margin (%)	25.8	28.7	33.1	33.2	30.2
ROIC (%)	5.3	7.5	7.4	7.7	7.0
ROA (%)	4.6	6.6	6.1	6.3	5.9
ROE (%)	9.9	18.2	11.6	11.8	12.9

Balance sheet and cash flow (CADmn)					CAGR
Cash and equivalents	384	1,347	1,573	1,895	70.2%
Total assets	14,424	15,516	15,934	16,412	4.4%
Short and long-term debt	4,351	5,347	5,347	5,347	7.1%
Other long-term liabilities	4,157	2,429	2,514	2,606	-14.4%
Total liabilities	10,078	9,236	9,321	9,413	-2.3%
Net debt/(funds)	3,967	4,000	3,774	3,452	-4.5%
Shareholders' equity	4,345	6,278	6,611	6,997	17.2%
Cash flow from operations	1,338	1,540	1,867	1,960	13.6%
Capital expenditure	-1,286	-1,310	-1,239	-1,234	N/A
Free cash flow	468	572	761	852	22.1%
NOPAT	662	949	954	1,008	15.0%

Valuation and leverage metrics					Average
P/E (adj) (x)	22.0	17.3	18.9	17.7	19.0
EV/sales (x)	3.5	3.4	3.2	3.0	3.2
EV/EBITDA (x)	8.7	8.3	7.6	7.1	7.9
Equity FCF yield (%)	2.7	9.8	3.9	4.6	5.3
P/BV (x)	3.1	2.2	2.1	2.0	2.3
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Total debt/capital (%)	50.0	46.0	44.7	43.3	46.0
Net debt/EBITDA (x)	1.9	1.8	1.6	1.4	1.7

Selected operating metrics (k)					CAGR
Cable TV subscribers	1,635	1,525	1,465	1,421	-4.6%
DTH subscribers	785	753	730	712	-3.2%
Internet subscribers	2,050	2,079	2,110	2,142	1.5%
Telephone subscribers	1,209	1,168	1,130	1,094	-3.3%

Price (27-Jun-2019)	**CAD 26.74**
Price Target	**CAD 33.00**

Why Overweight? The sale of Media and the acquisition of Wind Mobile makes strong strategic sense and strengthens SJR's long-term growth prospects. In the near term however, years of investments are required to drive growth at Wind, which on top of an already long list of investment priorities will constrain SJR's ability to grow the dividend for the foreseeable future.

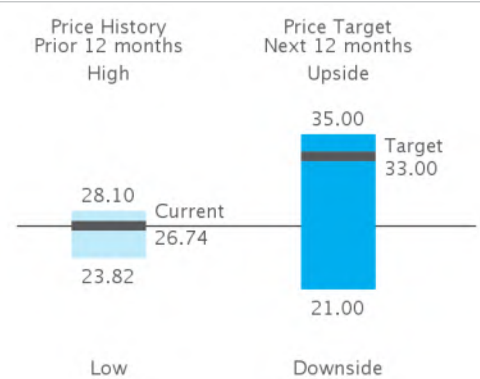
Upside case | **CAD 35.00**

The Shaw family is increasingly considering a sale of the company, while the pressures on the cable business begin to moderate as Telus' penetration matures. Our upside case is based on an 9.5x multiple on our 2019 upside EBITDA.

Downside case | **CAD 21.00**

The competitive environment intensifies once again as Telus tries to drive greater TV and Internet penetration, pressuring Shaw's cable business. Our downside case is based on 8.0x our 2019 downside EBITDA.

Upside/Downside scenarios



Source: Company data, Barclays Research
Note: FY End Aug

Canadian Telecommunications, Media, and Technology | **Industry View: NEUTRAL**

Shaw Communications Inc. (SJR)

Stock Rating: OVERWEIGHT

Income statement (CADmn)	2018A	2019E	2020E	2021E	CAGR
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Margin and return data					Average
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EBIT margin (%)	20.0	20.6	22.9	23.1	21.6
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Net margin (%)	0.4	13.2	12.9	13.3	10.0
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ROE (%)	9.9	18.2	11.6	11.8	12.9

Balance sheet and cash flow (CADmn)					CAGR
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Capital expenditure	-1,286	-1,310	-1,239	-1,234	N/A
Free cash flow	468	572	761	852	22.1%
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Valuation and leverage metrics					Average
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EV/sales (x)	3.5	3.4	3.2	3.0	3.2
EV/EBITDA (x)	8.7	8.3	7.6	7.1	7.9
Equity FCF yield (%)	2.7	9.8	3.9	4.6	5.3
P/BV (x)	3.1	2.2	2.1	2.0	2.3
Dividend yield (%)	4.4	4.4	4.4	4.4	4.4
Total debt/capital (%)	50.0	46.0	44.7	43.3	46.0
Net debt/EBITDA (x)	1.9	1.8	1.6	1.4	1.7

Selected operating metrics (k)					CAGR
Cable TV subscribers	1,635	1,525	1,465	1,421	-4.6%
DTH subscribers	785	753	730	712	-3.2%
Internet subscribers	2,050	2,079	2,110	2,142	1.5%
Telephone subscribers	1,209	1,168	1,130	1,094	-3.3%

Price (27-Jun-2019)	USD 20.38
Price Target	USD 25.00

Why Overweight? The sale of Media and the acquisition of Wind Mobile makes strong strategic sense and strengthens SJR's long-term growth prospects. In the near term however, years of investments are required to drive growth at Wind, which on top of an already long list of investment priorities will constrain SJR's ability to grow the dividend for the foreseeable future.

Upside case USD 26.00

The Shaw family is increasingly considering a sale of the company, while the pressures on the cable business begin to moderate as Telus' penetration matures. Our upside case is based on an 9.5x multiple on our 2019 upside EBITDA.

Downside case USD 16.00

The competitive environment intensifies once again as Telus tries to drive greater TV and Internet penetration, pressuring Shaw's cable business. Our downside case is based on 8.0x our 2019 downside EBITDA.

Upside/Downside scenarios

Source: Company data, Barclays Research
Note: FY End Aug

Valuation Methodology and Risks

Canadian Telecommunications, Media, and Technology
Shaw Communications Inc. (SJR/B CN / SJR-B.TO)
Valuation Methodology: Our price target is based on 9x EBITDA using our F`2020 estimate of CAD 2,335mn.
Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.
Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.
Shaw Communications Inc. (SJR)
Valuation Methodology: Our price target is based on 9x EBITDA using our F`2020 estimate of CAD 2,335mn, converted using spot FX.
Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.
Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

Source: Barclays Research.

ANALYST(S) CERTIFICATION(S):

I, Phillip Huang, hereby certify (1) that the views expressed in this research report accurately reflect my personal views about any or all of the subject securities or issuers referred to in this research report and (2) no part of my compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

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Primary Stocks (Ticker, Date, Price)

Shaw Communications Inc. (SJR, 27-Jun-2019, USD 20.38), Overweight/Neutral, CD/CE/J/V

Shaw Communications Inc. (SJR-B.TO, 27-Jun-2019, CAD 26.74), Overweight/Neutral, CD/CE/J/V

Prices are sourced from Refinitiv as of the last available closing price in the relevant trading market, unless another time and source is indicated.

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Our coverage analysts use a relative rating system in which they rate stocks as Overweight, Equal Weight or Underweight (see definitions below) relative to other companies covered by the analyst or a team of analysts that are deemed to be in the same industry (the "industry coverage universe").

In addition to the stock rating, we provide industry views which rate the outlook for the industry coverage universe as Positive, Neutral or Negative (see definitions below). A rating system using terms such as buy, hold and sell is not the equivalent of our rating system. Investors should carefully read the entire research report including the definitions of all ratings and not infer its contents from ratings alone.

Stock Rating

Overweight - The stock is expected to outperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Equal Weight - The stock is expected to perform in line with the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

Underweight - The stock is expected to underperform the unweighted expected total return of the industry coverage universe over a 12-month investment horizon.

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Neutral - industry coverage universe fundamentals/valuations are steady, neither improving nor deteriorating.

Negative - industry coverage universe fundamentals/valuations are deteriorating.

Below is the list of companies that constitute the "industry coverage universe":

Canadian Telecommunications, Media, and Technology

BCE Inc. (BCE)	BCE Inc. (BCE.TO)	CGI Inc. (GIB)
CGI Inc. (GIB-A.TO)	Cogeco Communications Inc. (CCA.TO)	Cogeco Inc. (CGO.TO)
Constellation Software Inc. (CSU.TO)	Corus Entertainment Inc. (CJR-B.TO)	Descartes Systems Group (DSG.TO)
Descartes Systems Group (DSGX)	Open Text Corp. (OTEX)	Open Text Corp. (OTEX.TO)
Quebecor Inc. (QBR-B.TO)	Rogers Communications Inc. (RCI)	Rogers Communications Inc. (RCI-B.TO)
Shaw Communications Inc. (SJR)	Shaw Communications Inc. (SJR-B.TO)	Telus Corp. (T.TO)

IMPORTANT DISCLOSURES CONTINUED

Telus Corp. (TU)

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38% have been assigned an Equal Weight rating which, for purposes of mandatory regulatory disclosures, is classified as a Hold rating; 48% of companies with this rating are investment banking clients of the Firm; 66% of the issuers with this rating have received financial services from the Firm.

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To see a list of companies that comprise a particular industry coverage universe, please go to https://publicresearch.barclays.com.

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IMPORTANT DISCLOSURES CONTINUED

Shaw Communications Inc. (SJR / SJR)

USD 20.38 (27-Jun-2019)

Stock Rating **OVERWEIGHT**

Industry View **NEUTRAL**

Rating and Price Target Chart - USD (as of 27-Jun-2019)

Source: IDC, Barclays Research

Link to Barclays Live for interactive charting

Currency=USD

Publication Date	Closing Price	Rating	Adjusted Price Target
12-Apr-2018	20.97	Overweight	25.00
12-Jan-2018	21.78		23.00
26-Oct-2017	21.41		22.00
13-Jan-2017	21.24		21.00

On 28-Jun-2016, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 20.00.

Source: Refinitiv, Barclays Research

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J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Shaw Communications Inc. and/or in any related derivatives.

V: The equity securities of Shaw Communications Inc. include non-voting restricted shares.

Valuation Methodology: Our price target is based on 9x EBITDA using our F`2020 estimate of CAD 2,335mn, converted using spot FX.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

IMPORTANT DISCLOSURES CONTINUED

Shaw Communications Inc. (SJR/B CN / SJR-B.TO)	Stock Rating	Industry View
CAD 26.74 (27-Jun-2019)	**OVERWEIGHT**	**NEUTRAL**

Rating and Price Target Chart - CAD (as of 27-Jun-2019)

Source: IDC, Barclays Research

Currency=CAD

Publication Date	Closing Price	Rating	Adjusted Price Target
15-Jan-2019	26.60		33.00
12-Apr-2018	26.42	Overweight	32.00
13-Jan-2017	27.89		29.00
03-Nov-2016	26.33		27.00

On 28-Jun-2016, prior to any intra-day change that may have been published, the rating for this security was Equal Weight, and the adjusted price target was 26.00.

Source: Refinitiv, Barclays Research

Historical stock prices and price targets may have been adjusted for stock splits and dividends.

Link to Barclays Live for interactive charting

CD: Barclays Bank PLC and/or an affiliate is a market-maker in debt securities issued by Shaw Communications Inc..

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J: Barclays Bank PLC and/or an affiliate is a liquidity provider and/or trades regularly in the securities by Shaw Communications Inc. and/or in any related derivatives.

V: The equity securities of Shaw Communications Inc. include non-voting restricted shares.

Valuation Methodology: Our price target is based on 9x EBITDA using our F`2020 estimate of CAD 2,335mn.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Upside risk: A maturing competitive environment reduces pricing and subscriber pressure on Shaw's Cable business, while regulatory action against the wireless industry further improves the economics for wireless new entrants.

Downside risk: Shaw's Cable business faces intensified competition from Telus' fibre footprint expansion.

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This is Exhibit 79 to the affidavit of Kenneth Mathieu, affirmed remotely by Jonathan Bitran stated as being located in the city of Toronto in the province of Ontario, on the 20th day of October, 2022, in accordance with O.Reg431/20, Administering Oath or Declaration Remotely.

EQUITY RESEARCH

Capital Markets

RBC Dominion Securities Inc.
Drew McReynolds, CFA, CA, CPA (Analyst)
(416) 842-3805
drew.mcreynolds@rbccm.com
Caleb Ho, CPA, CFA (Senior Associate)
(416) 842-3806
caleb.ho@rbccm.com
Riley Gray (Associate)
(416) 842-4123
riley.gray@rbccm.com

January 13, 2021

Shaw Communications Inc.

Pendulum Towards Profitability in Full Swing

Our view: Q1/21 financial results were in line with our expectations with better wireless loading and wireline margins offsetting weaker wireline RGUs. Following several minor tweaks to our forecast, our $27 target price is unchanged.

Key points:

- **Banking on better days ahead.** We view Shaw as a "value play" with a 7.1x FTM EV/EBITDA multiple adequately reflecting near-term headwinds that include elevated wireless promotional intensity at the incumbent flanker brand level, as well as a recalibration in the wireline growth and profitability balance incorporating both higher Internet pricing and the Shaw Mobile bundle. Potential catalysts include a favourable wireless review decision, accelerating Internet revenue growth, Shaw Mobile traction, a favourable 3500 MHz outcome with the set-aside and a potential sale of Freedom Mobile in Ontario. With now better wireline execution, a strong FCF trajectory, an under-levered balance sheet and active NCIB, we believe Shaw's growth and risk profile has improved considerably.
- **Shaw Mobile traction and the wireless-Internet bundle shifting emphasis to consolidated performance.** Postpaid wireless net additions of +87k in Q1/21 were well ahead of our +56k estimate and up YoY versus +67k in Q1/20 with management attributing the strong loading to accelerating Shaw Mobile traction. As a result of the strong demand for a heavily discounted wireless service that is bundled with premium Internet tiers, wireless ARPU growth declined -1.3% YoY while Internet ARPU growth accelerated to +5% but with Internet net additions down -15k in the quarter. We expect such "distortion" in traditional wireless and wireline KPIs driven by the Shaw Mobile wireless-Internet bundle to naturally shift the emphasis to consolidated performance (not unlike what is already the case with Quebecor given Videotron disclosure).
- **A directional easing in wireless promotional activity helping to "lower the temperature" following an intense Q3/20.** Following an intensely competitive calendar Q3/20 period for the Canadian wireless market, management confirmed the moderation in wireless promotional activity in calendar Q4/20 with a notable step-down since Boxing Day (consistent with our channel checks).
- **Shaw Family remains committed to the company's growth strategy.** Consistent with prior commentary, management indicated that the Shaw Family remains committed to the company's growth strategy with the view that it is still "early days" with respect to fully capitalizing on improving execution, wireless-Internet bundling and scaling the wireless business, albeit also acknowledging there is room for improvement and that time will tell. In our recent January 8, 2021 RBC Telecom Report United We Stand, Divided We Fall, we provide a framework to help investors better assess the nature, timing and likelihood of further M&A within the Canadian telecom industry.

Sector: Telecommunications & Wireless

Outperform

TSX: SJR.B; CAD 22.52; NYSE: SJR

Price Target CAD 27.00

WHAT'S INSIDE	
☐ Rating/Risk Change	☐ Price Target Change
☐ In-Depth Report	☑ Est. Change
☐ Preview	☑ News Analysis

Scenario Analysis*

Downside Scenario	Current Price	Price Target	Upside Scenario
19.00	22.52	27.00	30.00
↓ 10%		↑ 25%	↑ 39%

*Implied Total Returns

Key Statistics

Shares O/S (MM):	514.5	Market Cap (MM):	11,587
Dividend:	1.20	Yield:	5.3%
		Enterprise Val. (MM):	20,402
		Avg. Daily Volume:	3,040,065

Strategic Ownership: Shaw Family (10% equity; 79% voting)

RBC Estimates

FY Aug	2019A	2020A	2021E	2022E
Revenue	5,347.0	5,407.0	5,436.0	5,487.0
Prev.			5,457.0	5,541.0
EPS, Adj Basic	1.44	1.34	1.29	1.32
Prev.			1.27	1.29
P/AEPS	15.6x	16.8x	17.5x	17.1x
EBITDA	2,161.0	2,391.0	2,404.0	2,452.0
Prev.				2,449.0

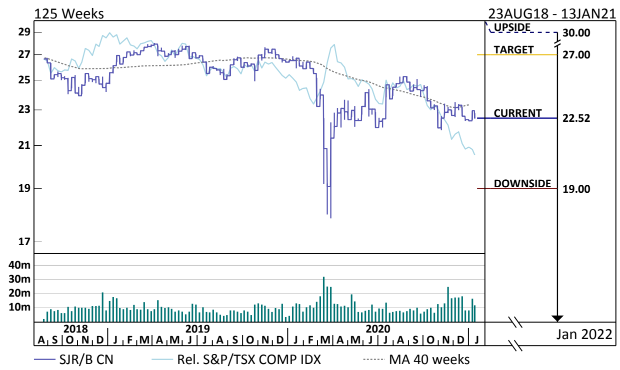
Revenue	Q1	Q2	Q3	Q4
2020	1,383.0A	1,363.0A	1,312.0A	1,349.0A
2021	1,370.0A	1,345.0E	1,346.0E	1,376.0E
Prev.	1,378.0E	1,346.0E	1,349.0E	1,383.0E
EPS, Adj Basic				
2020	0.31A	0.32A	0.38A	0.34A
2021	0.33A	0.33E	0.32E	0.31E
Prev.	0.32E			0.30E

Revenue: Results for F2019 onward reflect IFRS 15 adjustments and may not be comparable to prior periods.
EBITDA: Results for F2019 onward reflect IFRS 15 adjustments and may not be comparable to prior periods.
EPS, Adj Basic: Historical numbers may show adjustments to reflect company restatements.
All values in CAD unless otherwise noted.

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 17.

Target/Upside/Downside Scenarios

Exhibit 1: Shaw Communications Inc.



Source: Bloomberg and RBC Capital Markets estimates for Upside/Downside/Target

Price target/base case

Our one-year price target of $27 is based on the average of three approaches: (i) applying an 19.0x multiple to our blended two-year forward adjusted EPS estimates; (ii) applying target EV/EBITDA multiples of 7.00x and 9.00x to our EBITDA estimates for wireline and wireless, respectively; and (iii) discounted FCF through F2025E factoring in a WACC of 8.0% and a terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low-interest rate environment.

Upside scenario

Our upside scenario translates to a $30 value. This scenario assumes greater RGU growth, more robust cable ARPU growth, better-than-expected wireless ARPU and subscriber growth, and a faster re-acceleration in Business Network Services revenue growth.

Downside scenario

Our downside scenario translates to a $19 value. This scenario assumes continued deterioration in the RGU base combined with modest cable ARPU growth, a prolonged wireless drag on FCF and minimal re-acceleration in Business Network Services revenue growth.

Investment summary

We view Shaw as a "value play" with a 7.1x FTM EV/EBITDA multiple adequately reflecting near-term headwinds that include elevated wireless promotional intensity at the incumbent flanker brand level, as well as a recalibration in the wireline growth and profitability balance incorporating both higher Internet pricing and the Shaw Mobile bundle. Potential catalysts include a favourable wireless review decision, accelerating Internet revenue growth, Shaw Mobile traction, a favourable 3500 MHz outcome with the set-aside and a potential sale of Freedom Mobile in Ontario. With now better wireline execution, a strong FCF trajectory, an under-levered balance sheet and active NCIB, we believe Shaw's growth and risk profile has improved considerably.

Potential catalysts for the stock

- Greater-than-expected Internet ARPU growth translating to wireline margin expansion
- Easing of IPTV market share gains resulting in fewer television subscriber losses
- An eventual easing of wireless capex intensity and/or higher wireless net additions and ARPU growth
- Greater-than-expected margin expansion
- Incremental WiFi, Internet, and business market monetization longer term
- A takeout premium

Potential risks for the stock

- Unforeseen direct and indirect COVID-19 impacts
- Greater-than-expected wireless capex and/or the inability to execute on wireless
- Greater-than-expected market share gains from TELUS Optik TV and Internet
- The inability to realize additional annual cost savings
- Greater-than-expected telephony and television substitution
- The emergence of irrational pricing in the residential telephony, television, and/or Internet markets

What is New / What has Changed

- **Shaw Mobile traction and the wireless-Internet bundle shifting emphasis to consolidated performance.** Postpaid wireless net additions of +87k in Q1/21 were well ahead of our +56k estimate and up YoY versus +67k in Q1/20 with management attributing the strong loading to accelerating Shaw Mobile traction. Specifically: (i) initial demand has exceeded internal expectations with >50% of Shaw Mobile loading attributed to port-ins from other operators versus migrations; (ii) loading continues to shift away from the $0 talk-and-text plans initially launched in July to the higher-value $25/$45 unlimited data plans launched in October; (iii) the majority of loading comprises BYOD with households often contributing multiple lines; and (iv) Shaw Mobile customers are skewing premium/higher-value versus Freedom Mobile subscribers. As a result of the strong demand for a heavily discounted wireless service that is bundled with premium Internet tiers, wireless ARPU growth declined -1.3% YoY while Internet ARPU growth accelerated to +5% but with Internet net additions down -15k in the quarter. We expect such “distortion” in traditional wireless and wireline KPIs driven by the Shaw Mobile wireless-Internet bundle to naturally shift the emphasis to consolidated performance (not unlike what is already the case with Quebecor given Videotron disclosure). In this respect, consolidated revenue growth of -0.9% YoY was in line with our forecast when adjusting for equipment revenues, while consolidated EBITDA growth of +3.2% exceeded our +2.1% estimate (consolidated EBITDA margins up a solid +179bps YoY) with management’s focus on higher-value households/customers and churn reduction translating to early NAV accretion.
- **A directional easing in wireless promotional activity helping to “lower the temperature” following an intense Q3/20.** Following an intensely competitive calendar Q3/20 period for the Canadian wireless market, after which management cautioned that incumbent promotional activity against the backdrop of a moderation in the rate of expansion in the Canadian wireless market due to COVID-19 risked deterioration in what has historically been a relatively price disciplined wireless market in Canada, management confirmed the moderation in wireless promotional activity in calendar Q4/20 with a notable step-down since Boxing Day (consistent with our channel checks). While elevated wireless competitive intensity in a still lower-growth market will continue to warrant increased investor scrutiny, we remain optimistic for a levelling off of wireless promotional activity in 2021. Against this backdrop, management attributed the +31bps YoY increase in postpaid churn to 1.81% in Q1/21 to the launch of Shaw Mobile “stirring the pot” with Freedom Mobile incurring most of the churn increase.
- **Internet market expansion key to a return to positive Consumer Internet subscriber growth given Shaw’s renewed discipline.** Management attributed the continued overall choppiness in quarterly wireline results in part to the COVID-19-driven absence of market expansion that has historically enabled all Canadian telecom operators to sustain a healthy balance of growth and profitability. Consumer Internet net additions of -15k in Q1/21 were lower than our estimate of -10k with management attributing the weakness (and a multi-quarter period before returning to positive Consumer Internet subscriber growth) to the combination of little-to-no market expansion in Shaw’s cable footprint (Alberta economic weakness, a distorted back-to-school season), the competitive strengths of TELUS (bundling, execution), the flushing out of promotion hoppers, internal discipline to stick with higher Internet prices, and the renewed pursuit to target and retain higher-value households. On a positive note: (i) management is seeing steady migration to higher-priced Internet plans with >+100k customers now on ≥750 Mbps plans, 30% of migrations taking 1 Gbps and 1.5 Gbps plans and 20% of newly on-boarded customers taking the higher tiers; (ii) gross additions were down -40% YoY in Q1/21 due in part to COVID-19 impacts suggesting a stronger gross loading lever can be pulled

alongside renewed Internet market expansion to assist in returning to positive Consumer Internet subscriber growth once COVID-19 impacts wane; and (iii) management confirmed that base management continues to significantly improve enabling Shaw to more tactically compete both inside and outside of FTTH footprints (which for F2021 at least should see less expansion versus that over the past 6-7 years).

- **Progress on digital, distribution and data analytics re-affirms Shaw's improving execution.** Consistent with the recent data from our RBC Elements sentiment and emotion tracker, management indicated that significant progress has been made on the company's digital and retail distribution capabilities as well as the leveraging of better customer data analytics. Specifically: (i) self-serve/digital and self-install accounted for >20% of gross wireless loading and >70% of Internet installations in Q1/21, respectively, with same-day or next-day capabilities for on-boarding for both; (ii) Shaw Mobile retail locations expanded from 140 to 150 in Q1/21 with management remaining committed to further building out the retail footprint; and (iii) management is now more effectively able to identify, target and prioritize higher-value households and customers leveraging internal customer data analytics.
- **Shaw Family remains committed to the company's growth strategy.** Consistent with prior commentary, management indicated that the Shaw Family remains committed to the company's growth strategy with the view that it is still "early days" with respect to fully capitalizing on improving execution, wireless-Internet bundling and scaling the wireless business, albeit also acknowledging there is room for improvement and that time will tell. Bigger picture, the rejection by Gestion Audem and the Cogeco Board of Directors of the proposed takeout bid by Altice and Rogers in 2020 put M&A firmly into the spotlight. In our recent January 8, 2021 RBC Telecom Report United We Stand, Divided We Fall, we provide a framework to help investors better assess the nature, timing and likelihood of further M&A within the Canadian telecom industry. Given the complex set of multiple and interrelated industry dynamics that typically influence M&A decisions, in this report, we have created an M&A game with a playbook that attempts to untangle and sequence these dynamics in order to better identify M&A catalysts and evaluate logical M&A outcomes.

Q1/21 Financial Results In Line with Our Expectations

Consolidated revenues and EBITDA were $1,370MM (-0.9% YoY) and $607MM (+3.2%), respectively, versus our estimates of $1,378MM and $601MM. Segmented revenues were in line with our estimates while higher wireline EBITDA ($532MM versus $515MM) was offset by lower wireless EBITDA ($75MM versus $85MM). Consolidated EBITDA margins were 44.3% (+179bps YoY), slightly above our estimate of 43.6% (+106bps).

RBC Capital Markets

Exhibit 2: Summary of Q1/21 Results versus Our Expectations

Shaw Communications Q1/21 Summary	Q1/21A	YoY Δ	RBC CM Q1/21E	RBC CM YoY Δ	Q1/20R	Consensus[3,4] Q1/21E	Consensus YoY Δ	RBC Capital Markets Comments
Financial Summary (C$MM)								
Revenue								
Consumer	911	-1.4%	913	-1.2%	924	909		YoY growth in Internet revenue offset by declines in television and telephony
Business Network Services	145	1.4%	140	-1.9%	143	141		Reflects growth in Internet revenue partially offset by weakness in video
Wireline	1,056	-1.0%	1,053	-1.3%	1,067	1,050	-1.6%	
Service	215	9.7%	221	12.9%	196	222		Driven by continued growth of subscriber base
Equipment and other	102	-16.4%	106	-13.1%	122	117		YoY decline reflects greater share of BYOD within wireless subscriber mix due to Shaw Mobile
Wireless	317	-0.3%	327	2.9%	318	338	6.3%	
Intersegment	(3)	-	(2)	-	(2)	(2)		
	1,370	**-0.9%**	**1,378**	**-0.4%**	**1,383**	**1,386**	**0.2%**	
EBITDA								
Wireline	532	2.9%	515	-0.3%	517	516	-0.3%	
Wireless	75	5.6%	85	19.8%	71	87	22.5%	
	607	**3.2%**	**601**	**2.1%**	**588**	**603**	**2.5%**	
EBITDA Margin								
Wireline	50.4%	193bps	49.0%	50bps	48.5%	49.1%	66bps	Reflects base management and cost reduction initiatives (employee, travel, advertising)
Wireless	23.7%	133bps	26.0%	367bps	22.3%	25.7%	341bps	Reflects expenses related to Shaw Mobile launch and expansion of retail footprint
	44.3%	**179bps**	**43.6%**	**106bps**	**42.5%**	**43.5%**	**97bps**	
EPS	**$0.31**	**-1.1%**	**$0.32**	**0.5%**	**$0.31**	**$0.31**	**-1.1%**	
FCF[1]	**225**	**23.0%**	**198**	**8.5%**	**183**	**205**	**12.0%**	
Capex[2]	**234**	**-10.0%**	**261**	**0.5%**	**260**	**250**	**-3.8%**	Decrease attributable to lower success-based and new housing development spend in wireline
% revenue	17.1%	-172bps	19.0%	16bps	18.8%	18.0%	-76bps	
Operating Summary (000s)								
Consumer								
Cable TV Subscribers	1,356	-7.4%	1,371	-6.4%	1,464			
Net Additions	(34)	-	(20)	-	(14)	(21)		
Internet Subscribers	1,889	-1.5%	1,894	-1.2%	1,917			
Net Additions	(15)	-	(10)	-	6	(4)		
Telephony Subscribers	649	-12.5%	653	-12.0%	742			
Net Additions	(24)	-	(20)	-	(26)	(20)		
Satellite TV Subscribers	617	-8.1%	636	-5.3%	671			
Net Additions	(34)	-	(15)	-	(32)	(20)		
Business Network Services								
Cable TV Subscribers	37	-13.8%	37	-16.0%	43			
Net Additions	(0)	-	(1)	-	2			
Internet Subscribers	179	2.9%	179	2.8%	174			
Net Additions	1	71.6%	1	44.1%	1			
Telephony Subscribers	390	1.7%	389	1.3%	384			
Net Additions	2	-43.1%	1	-76.5%	4			
Satellite TV Subscribers	38	1.0%	36	-6.5%	38			
Net Additions	2	1.4%	(1)	-	2			
Wireless								
Blended ABPU	$42.66	-2.2%	$44.69	2.5%	$43.60	$44.65	2.4%	Reflects bundling of lower revenue Shaw Mobile subscribers
Blended ARPU	$38.25	-1.3%	$39.73	2.5%	$38.76	$39.62	2.2%	Reflects bundling of lower revenue Shaw Mobile subscribers
Postpaid Subscribers	1,569	13.7%	1,538	11.4%	1,381	1,543	11.8%	
Net Additions	87	30.6%	56	-16.0%	67	61	-8.6%	Reflects uptick in demand for Shaw Mobile bundles from existing Shaw Internet subscibers
Prepaid Subscribers	353	5.3%	330	-1.5%	335	338	0.9%	
Net Additions	14	-	(9)	-	(9)	(1)	-	
Postpaid Churn	1.81%	31bps	1.50%	0bps	1.50%	1.51%	1bps	Higher YoY churn driven by impact of heightened price competition on Freedom

[1]FCF defined as per company guidance

[2]Capex includes additions to PPE and equipment costs

[3]Company compiled consensus provided on December 16, 2020

[4]Consensus net additions include Business Network Services net additions

Sources: Company reports, RBC Capital Markets estimates, FactSet

Sources: Company reports, RBC Capital Markets estimates

No change to $27 price target

We have made several minor changes to our forecast to reflect: (i) a higher wireline revenue and margin trajectory offset by lower Internet net additions; and (ii) a lower wireless ARPU

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

growth trajectory offset by higher wireless net additions. Following our estimate revisions, our $27 price target is unchanged.

Exhibit 3: Summary of Changes to Our Forecast

Shaw Communications			F2021E		F2021E RBC Capital Markets			F2022E	F2022E RBC Capital Markets		
RBC Capital Markets Estimate Revisions	F2020	YoY Δ	Guidance [3]	Consensus [4]	Previous	New	YoY Δ	Consensus [4]	Previous	New	YoY Δ
Financial Forecasts ($MM)											
Revenue											
Consumer	3,683	-0.6%			3,634	3,595	-2.4%		3,569	3,501	-2.6%
Business Network Services	567	-4.4%			564	576	1.6%		589	600	4.2%
Wireline	4,250	-1.2%			4,198	4,171	-1.9%		4,158	4,101	-1.7%
Wireless[5]	1,166	11.4%			1,268	1,275	9.4%		1,391	1,396	9.5%
Intersegment Eliminations	(9)	-			(9)	(10)	-		(9)	(10)	-
	5,407	**1.3%**		5,505	**5,457**	**5,436**	**0.5%**	5,615	**5,541**	**5,487**	**0.9%**
EBITDA											
Wireline	2,054	5.1%			2,058	2,075	1.0%		2,059	2,061	-0.7%
Wireless[5]	337	69.3%			348	329	-2.4%		390	391	18.9%
	2,391	**11.0%**	Positive adjusted EBITDA growth	2,424	**2,405**	**2,404**	**0.5%**	2,486	**2,449**	**2,452**	**2.0%**
EBITDA Margins											
Wireline	48.3%	286bps			49.0%	49.8%	142bps		49.5%	50.3%	50bps
Wireless[5]	28.9%	990bps			27.4%	25.8%	-312bps		28.0%	28.0%	222bps
	44.2%	**388bps**		44.0%	**44.1%**	**44.2%**	**0bps**		**44.2%**	**44.7%**	**46bps**
Adjusted EPS	**$1.34**	**-6.2%**		$1.31	**$1.27**	**$1.29**	**-3.6%**	$1.43	**$1.29**	**$1.32**	**2.5%**
Capex[1]	**1,111**	**-8.3%**	Approximately $1,000MM	1,013	**1,045**	**1,018**	**-8.4%**	1,024	**1,058**	**1,028**	**1.0%**
% revenue	20.5%	-215bps			19.2%	18.7%	-183bps		19.1%	18.7%	1bps
FCF	**747**	**38.8%**	Approximately $800MM	814	**804**	**824**	**10.3%**	854	**837**	**866**	**5.1%**
Net Debt[2]	**5,554**	**32.0%**			**5,758**	**5,882**	**5.9%**		**5,980**	**6,085**	**3.4%**
Net Debt/EBITDA[2]	2.3x	0.0x			2.4x	2.4x	0.1x		2.4x	2.5x	0.04x
Operating Forecast (000s)											
Consumer											
Implied Consumer ARPU	$64.76	4.1%			$67.16	$67.18	3.7%		$69.17	$69.53	3.5%
Cable TV Subscribers	1,391	-5.9%			1,311	1,281	-7.9%		1,231	1,191	-7.0%
Net Additions	(88)	-			(80)	(109)	nmf		(80)	(90)	-
Internet Subscribers	1,904	-0.4%			1,906	1,859	-2.4%		1,926	1,869	0.5%
Net Additions	(8)	-			3	(45)	-		20	10	-
Telephony Subscribers	673	-12.4%			593	589	-12.5%		513	509	-13.6%
Net Additions	(95)	-			(80)	(84)	-		(80)	(80)	-
Satellite TV Subscribers	651	-7.5%			591	572	-12.1%		531	522	-8.7%
Net Additions	(52)	-			(60)	(79)	-		(60)	(50)	-
Business Network Services											
Cable TV Subscribers	38	-10.4%			34	34	-8.1%		30	31	-8.7%
Net Additions	(4)	-			(4)	(3)	-		(4)	(3)	-
Internet Subscribers	178	2.6%			182	182	2.4%		186	187	2.3%
Net Additions	5	454.3%			4	4	-8.6%		4	4	0.0%
Telephony Subscribers	388	2.2%			392	393	1.4%		397	398	1.3%
Net Additions	8	-66.5%			4	5	-34.1%		5	5	-7.8%
Satellite TV Subscribers	36	1.0%			34	41	14.9%		32	42	2.4%
Net Additions	0	-58.1%			(2)	5	1450.6%		(2)	1	-81.4%
Wireless											
Blended Wireless ARPU	$38.95	2.8%			$39.37	$38.87	-0.2%		$39.76	$38.49	-1.0%
Postpaid Subscribers	1,482	12.8%			1,695	1,723	16.3%		1,915	1,956	13.5%
Net Additions	168	-41.5%			213	241	43.2%		219	233	-3.4%
Prepaid Subscribers	339	-1.5%			329	407	19.9%		344	422	3.7%
Net Additions	(5)	-			(5)	34	-		15	15	-55.5%

[1] Capex and FCF defined as per company guidance
[2] Net debt defined as current portion of long-term debt + long-term debt + preferred shares - cash & equivalents
[3] Guidance issued on October 30, 2020
[4] Company compiled consensus provided on December 16, 2020

Sources: Company reports, RBC Capital Markets estimates

Exhibit 4: Calculation of Our Price Target

SHAW COMMUNICATIONS VALUATION
(C$MM unless stated, Year Ended August 31)

Calculation of Target Price

Summary	Target Multiple			Weight	Value / Share
EV/EBITDA	7.7x			33%	$25.52
P/E	19.0x			33%	$25.49
DCF				33%	$29.99
Average				100%	$27.00
Target Price					**$27.00**

Implied FCF Yield	Price	F2019	F2020	F2021E	F2022E	F2023E
FCF		$553	$752	$795	$837	$923
FCF per Share		$1.08	$1.46	$1.55	$1.63	$1.80
FCF Yield @ Market	$22.48	4.8%	6.5%	6.9%	7.3%	8.0%
FCF Yield @ Target	$27.00	4.0%	5.4%	5.8%	6.0%	6.7%

EV/EBITDA

	Target Multiple	F2019	F2020	F2021E	F2022E	F2023E
Adjusted EBITDA						
Wireline		1,955	2,054	2,075	2,061	2,059
Wireless		199	337	329	391	456
		2,154	2,391	2,404	2,452	2,516
Enterprise Value						
Wireline	7.00x	13,685	14,378	14,527	14,427	14,414
Wireless [(1)]	9.00x	3,395	3,667	3,960	4,277	4,619
		17,080	18,045	18,487	18,704	19,033
Implied Blended Multiple		7.9x	7.5x	7.7x	7.6x	7.6x
Enterprise Value		17,080	18,045	18,487	18,704	19,033
Less: Net Debt		(4,209)	(5,554)	(5,923)	(6,126)	(5,871)
Add: Investments and Other		300	305	311	317	323
Net Asset Value		13,171	12,796	12,875	12,895	13,485
Shares Outstanding		517	513	513	513	513
Equity Value per Share		$25.49	$24.94	$25.10	$25.14	$26.29

Blended 2-Year Forward NAV **$25.52**

(1) Wireless valuation based on applying a 9.0x multiple to discounted F2025E EBITDA

P/E

	Target Multiple	F2019	F2020	F2021E	F2022E	F2023E
Adjusted EPS		$1.43	$1.34	$1.29	$1.32	$1.38
Equity Value per Share	19.0x	$27.12	$25.43	$24.53	$25.14	$26.19

Blended 2-Year Forward NAV **$25.49**

Discounted FCF

Capitalization	Shares	Price	Value	Weight
Shares	513	$22.48	11,532	66%
Net Debt			5,923	34%
Capitalization @ Market			17,456	100%

Cost of Capital	Cost Cap.	Weight	WACC
Equity	9.8%	66%	6.5%
Debt	4.5%	34%	1.5%
WACC			8.0%
Terminal Growth Rate			1.5%

Sensitivity to DCF Assumptions

Terminal Growth \ WACC	6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%
0.0%	$31.19	$28.15	$25.52	$23.21	$21.18	$19.37	$17.76
0.5%	$34.29	$30.78	$27.78	$25.17	$22.89	$20.88	$19.09
1.0%	$37.96	$33.85	$30.38	$27.41	$24.83	$22.57	$20.58
1.5%	$42.36	$37.48	$33.42	$29.99	$27.04	$24.49	$22.26
2.0%	$47.74	$41.84	$37.02	$33.00	$29.60	$26.68	$24.16
2.5%	$54.46	$47.17	$41.33	$36.56	$32.58	$29.22	$26.33
3.0%	$63.10	$53.82	$46.60	$40.83	$36.11	$32.17	$28.84

Year-End August 31	F2018	F2019	F2020	F2021E	F2022E	F2023E	F2024E	F2025E	Terminal Value	'21E-25E CAGR
Adjusted EBITDA	2,041	2,154	2,391	2,404	2,452	2,516	2,584	2,654		2.5%
Less: Depreciation and Amortization	(1,017)	(1,039)	(1,217)	(1,237)	(1,268)	(1,300)	(1,332)	(1,366)		
EBIT	1,024	1,115	1,174	1,167	1,184	1,216	1,252	1,288		2.5%
Less: Unlevered cash taxes	(357)	(156)	(161)	(211)	(225)	(231)	(238)	(245)		
Add: Depreciation and Amortization	1,017	1,039	1,217	1,237	1,268	1,300	1,332	1,366		
Less: Capex	(1,251)	(1,162)	(970)	(980)	(1,028)	(1,004)	(1,001)	(992)		
Less: Changes in working capital and other	129	(196)	(68)	(38)	4	8	6	3		
Free Cash Flow to the Firm	562	640	1,192	1,175	1,203	1,288	1,351	1,420	22,172	4.8%

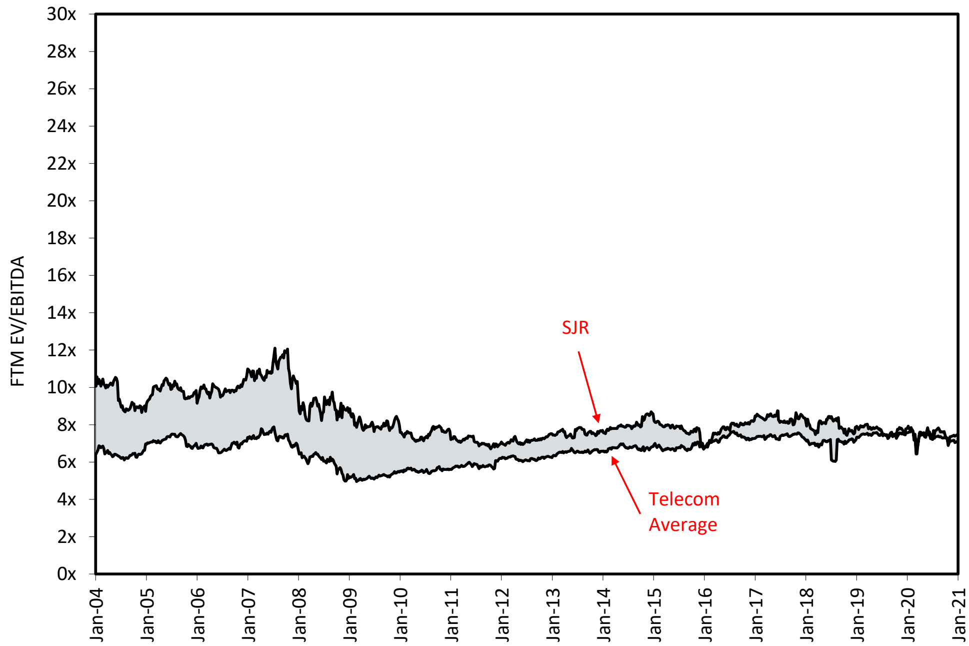
Enterprise Value	21,618
Less: Net Debt	(5,923)
Add: Other Investments	(311)
Equity Value	15,384
Shares Outstanding	513
	$29.99

Implied TTM Terminal Multiple: 8.7x

Sources: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 5: Shaw FTM EV/EBITDA Multiple versus the Canadian Telecom Average



Sources: Company reports, RBC Capital Markets estimates

RBC Capital Markets

Exhibit 6: Summary of Comparable Valuations

Cable and Telecom	Ticker	Share Price	Market Cap. (MM)	P/E 2019A	P/E 2020E	P/E 2021E	P/E FTM	EV/EBITDA 2019A	EV/EBITDA 2020E	EV/EBITDA 2021E	EV/EBITDA FTM	FCF Yield 2019A	FCF Yield 2020E	FCF Yield 2021E	FCF Yield FTM	Net Debt/ EBITDA	Dividend Yield	Dividend as % 2020E EPS	Dividend as % 2020E FCF
Canadian Telcos																			
BCE	BCE	C$54.87	C$49,620	15.7x	18.5x	16.4x	16.4x	7.7x	8.0x	7.9x	7.9x	6.7%	5.2%	6.6%	6.6%	2.9x	6.1%	112.3%	117.2%
TELUS Corporation	T	C$26.21	C$33,804	18.3x	24.2x	23.3x	23.2x	8.6x	9.0x	8.9x	8.9x	3.2%	3.1%	4.2%	4.3%	3.2x	4.7%	114.9%	153.2%
Average				**17.0x**	**21.4x**	**19.9x**	**19.8x**	**8.2x**	**8.5x**	**8.4x**	**8.4x**	**5.0%**	**4.1%**	**5.4%**	**5.4%**	**3.1x**	**5.4%**	**113.6%**	**135.2%**
Canadian Cablecos																			
Cogeco Communications	CCA	C$97.38	C$4,781	13.7x	12.9x	12.9x	12.8x	6.9x	6.6x	6.6x	6.5x	8.9%	9.6%	9.4%	9.7%	2.7x	2.6%	33.9%	27.4%
Quebecor	QBR.B	C$30.70	C$7,735	13.5x	13.2x	12.9x	12.9x	7.1x	6.7x	7.0x	7.0x	8.8%	8.7%	7.5%	7.6%	2.8x	2.6%	34.3%	29.9%
Rogers Communications	RCI.B	C$60.91	C$30,755	14.5x	18.0x	15.7x	15.7x	7.3x	7.6x	7.2x	7.2x	5.2%	6.8%	5.9%	5.9%	2.9x	3.3%	59.0%	48.6%
Shaw Communications	SJR.B	C$22.52	C$11,553	15.8x	16.8x	17.4x	17.3x	7.2x	7.0x	7.1x	7.1x	4.8%	6.5%	6.9%	7.0%	2.4x	5.3%	88.5%	81.0%
Average				**14.4x**	**15.2x**	**14.7x**	**14.7x**	**7.1x**	**7.0x**	**7.0x**	**6.9x**	**6.9%**	**7.9%**	**7.4%**	**7.5%**	**2.7x**	**3.4%**	**53.9%**	**46.7%**
Canadian Average				**15.2x**	**17.3x**	**16.5x**	**16.4x**	**7.5x**	**7.5x**	**7.4x**	**7.4x**	**6.3%**	**6.6%**	**6.7%**	**6.8%**	**2.8x**	**4.1%**	**73.8%**	**76.2%**
US Telcos[3]																			
AT&T	T	US$28.61	US$214,035	8.4x	9.5x	9.3x	9.4x	6.9x	7.4x	7.3x	7.3x	12.9%	11.5%	12.4%	12.1%	3.2x	6.9%	65.6%	60.1%
Verizon	VZ	US$57.06	US$245,221	12.3x	12.4x	12.1x	12.2x	7.9x	8.0x	7.7x	7.8x	8.1%	8.2%	7.7%	7.9%	2.6x	4.2%	51.6%	50.4%
T-Mobile	TMUS	US$128.50	US$143,908	29.0x	nmf	nmf	nmf	17.2x	9.9x	9.2x	9.4x	3.3%	2.7%	2.2%	2.4%	3.4x	0.0%	0.0%	0.0%
CenturyLink	CTL	US$10.79	US$12,062	8.3x	8.2x	8.1x	8.1x	5.0x	5.2x	5.3x	5.3x	27.0%	24.1%	25.5%	25.1%	3.9x	9.1%	74.2%	37.8%
Frontier Communications	FTR	US$0.35	US$20	nmf	nmf	nmf	nmf	nmf	5.5x	6.2x	5.9x	nmf	nmf	nmf	nmf	nmf	0.0%	0.0%	0.0%
Average				**14.5x**	**10.0x**	**9.8x**	**9.9x**	**9.3x**	**7.2x**	**7.1x**	**7.2x**	**12.8%**	**11.6%**	**12.0%**	**11.9%**	**3.3x**	**4.0%**	**38.3%**	**29.7%**
US Cablecos and Other[3]																			
Comcast Corp.	CMCSA	US$50.16	US$203,134	14.2x	18.7x	15.2x	16.2x	8.9x	10.2x	9.1x	9.4x	6.5%	5.5%	6.3%	6.0%	3.1x	2.1%	38.6%	37.4%
Altice USA	ATUS	US$35.22	US$15,823	nmf	41.1x	21.7x	25.7x	9.6x	9.4x	9.0x	9.1x	6.5%	9.9%	11.5%	11.0%	5.5x	nmf	0.0%	0.0%
Charter Communications	CHTR	US$618.01	US$126,144	nmf	nmf	31.3x	35.4x	12.6x	11.8x	11.0x	11.2x	3.1%	4.7%	5.6%	5.3%	4.2x	0.0%	0.0%	0.0%
DISH Networks	DISH	US$32.38	US$9,989	13.4x	16.5x	17.3x	17.0x	12.7x	11.8x	12.7x	12.4x	7.1%	9.9%	7.4%	8.2%	3.9x	0.0%	0.0%	0.0%
Average				**13.8x**	**25.4x**	**21.4x**	**23.6x**	**10.9x**	**10.8x**	**10.5x**	**10.6x**	**5.8%**	**7.5%**	**7.7%**	**7.6%**	**4.2x**	**0.7%**	**9.7%**	**9.3%**
US Average				**14.2x**	**17.7x**	**15.6x**	**16.8x**	**10.1x**	**9.0x**	**8.8x**	**8.9x**	**9.3%**	**9.6%**	**9.8%**	**9.7%**	**3.7x**	**2.4%**	**24.0%**	**19.5%**

[1]EPS defined as normalized earnings per share after preferred dividends
[2]Free cash flow defined as cash from operations before working capital - capex - preferred dividends
[3]Estimates are FactSet consensus

Sources: Company reports, RBC Capital Markets estimates, FactSet

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Capital Markets

RBC

Exhibit 7: Summary of Key Operating and Financial Metrics for our Canadian Telecom Coverage

		2013	2014	2015	2016	2017	2018	2019	2020E	2021E
WIRELESS	**Blended ABPU ($)**									
	BCE	$57.25	$59.92	$63.09	$65.46	$67.75	$67.75	$68.32	$64.64	$66.58
	Rogers	$59.58	$59.41	$59.71	$60.42	$63.46	$65.12	$66.23	$63.78	$65.37
	TELUS	$61.38	$62.24	$63.45	$65.09	$67.09	$67.30	$66.82	$64.58	$65.87
	Network Revenue Growth (YoY)									
	BCE	5.5%	6.4%	7.6%	5.7%	10.7%	3.5%	2.7%	-4.1%	6.9%
	Rogers	0.4%	-0.1%	2.4%	5.2%	7.1%	4.8%	0.9%	-6.9%	5.1%
	TELUS	5.1%	6.5%	4.8%	3.9%	6.5%	2.7%	1.6%	-1.4%	6.0%
	Network EBITDA Margins (%)[1]									
	BCE	44%	45%	45%	45%	56%	57%	60%	60%	60%
	Rogers	47%	48%	47%	45%	55%	58%	61%	61%	61%
	TELUS	47%	46%	46%	46%	56%	58%	61%	61%	62%
	Capex Intensity (%)									
	BCE	10.9%	10.9%	10.4%	10.2%	9.2%	7.8%	7.6%	9.8%	10.0%
	Rogers	11.9%	13.4%	11.3%	8.9%	9.4%	11.8%	14.3%	12.9%	15.1%
	TELUS	11.5%	12.5%	12.8%	13.7%	12.7%	11.0%	10.8%	10.7%	10.9%
WIRELINE	**Revenue Growth (YoY)**									
	BCE	-1.2%	-0.3%	-0.5%	-1.3%	2.4%	2.1%	-2.4%	-0.8%	0.2%
	Cogeco	3.2%	2.4%	0.6%	0.4%	2.2%	0.2%	-0.3%	-0.6%	4.5%
	Quebecor	7.2%	1.4%	-1.7%	0.4%	1.3%	5.8%	1.1%	1.8%	-0.6%
	Rogers	3.5%	-0.2%	-0.1%	-0.5%	12.9%	1.0%	0.6%	-1.0%	1.6%
	Shaw	2.3%	3.0%	0.5%	0.4%	0.4%	-0.4%	0.2%	-1.2%	-1.9%
	TELUS	3.8%	2.7%	2.7%	2.4%	1.1%	8.4%	5.0%	14.8%	8.8%
	EBITDA Margins (%)									
	BCE	37.6%	40.1%	40.8%	41.7%	41.9%	41.7%	43.8%	43.3%	43.8%
	Cogeco	49.8%	51.1%	51.2%	52.0%	52.3%	51.9%	53.2%	54.4%	53.9%
	Quebecor	48.8%	50.4%	50.3%	51.4%	52.1%	51.0%	53.0%	51.5%	51.6%
	Rogers	49.4%	48.0%	47.8%	48.5%	46.7%	47.7%	48.5%	49.2%	50.0%
	Shaw	47.2%	49.2%	45.4%	45.0%	43.4%	43.5%	46.5%	46.6%	46.0%
	TELUS	27.2%	27.4%	27.9%	28.6%	28.9%	28.2%	29.0%	26.6%	26.4%
	Capex Intensity (%)									
	BCE	22.3%	23.5%	22.9%	24.3%	25.6%	25.3%	25.8%	24.3%	24.5%
	Cogeco	18.8%	17.8%	19.6%	18.4%	18.5%	18.5%	18.7%	19.3%	19.1%
	Quebecor	16.6%	19.7%	21.6%	24.8%	23.0%	21.4%	20.0%	15.9%	22.9%
	Rogers	31.8%	30.4%	29.7%	31.5%	34.3%	36.3%	29.2%	23.9%	22.9%
	Shaw	26.5%	29.4%	22.3%	21.3%	22.5%	23.9%	19.2%	19.2%	17.3%
	TELUS	25.7%	27.3%	29.3%	33.8%	35.6%	31.3%	29.8%	25.2%	21.8%

	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
Total Wireless Subcribers (000s)									
BCE	7,778	8,119	8,246	8,469	9,167	9,610	9,958	10,275	10,630
Rogers	9,503	9,450	9,877	10,274	10,482	10,783	10,840	10,989	11,173
TELUS	7,807	8,281	8,457	8,585	8,911	9,235	9,520	9,792	10,086
Postpaid Wireless Subcribers (000s)									
BCE	6,678	7,110	7,375	7,691	8,419	8,830	9,160	9,405	9,706
Rogers	8,074	8,073	8,271	8,557	8,704	9,157	9,438	9,695	9,955
TELUS	6,751	7,108	7,352	7,550	7,978	8,311	8,582	8,857	9,132
Postpaid Net Additions (000s)									
BCE	378	312	265	315	417	448	402	245	301
Rogers	228	(1)	106	286	354	453	334	257	260
TELUS	378	357	244	243	379	356	247	275	275
Postpaid Churn (%)									
BCE	1.26%	1.22%	1.26%	1.24%	1.22%	1.16%	1.12%	1.01%	1.05%
Rogers	1.24%	1.27%	1.27%	1.22%	1.20%	1.10%	1.10%	1.01%	1.05%
TELUS	1.03%	0.93%	0.89%	0.89%	0.89%	0.81%	0.87%	0.80%	0.80%
Television Net Additions (000s)									
BCE	122	153	107	6	(21)	6	6	(39)	(15)
Cogeco	(28)	(38)	(32)	(26)	(20)	(37)	(39)	(31)	(28)
Quebecor	(30)	(43)	(45)	(46)	(50)	(43)	(66)	(65)	(50)
Rogers	(127)	(103)	(128)	(76)	(80)	(55)	(106)	(99)	(90)
Shaw	(116)	(106)	(153)	(132)	(26)	(107)	(161)	(144)	(186)
TELUS	137	101	89	54	35	63	67	46	39
Telephony Net Additions (000s)									
BCE	(402)	(465)	(438)	(415)	(357)	(350)	(396)	(313)	(313)
Cogeco	13	(15)	(13)	(16)	(15)	(33)	(23)	(4)	(8)
Quebecor	21	(7)	(33)	(63)	(65)	(75)	(87)	(101)	(100)
Rogers	42	(3)	(60)	4	14	8	(44)	(59)	(50)
Shaw	53	15	(63)	(54)	(5)	(44)	(62)	(87)	(78)
TELUS	(151)	(85)	(116)	(120)	(103)	(78)	(71)	(66)	(66)
Internet Net Additions (000s)									
BCE	29	160	155	85	87	108	136	137	130
Cogeco	16	18	25	29	35	14	6	22	20
Quebecor	31	18	31	45	54	38	23	51	46
Rogers	63	50	37	97	95	109	104	58	75
Shaw	28	40	22	15	64	18	36	(3)	(41)
TELUS	61	74	86	63	77	111	104	140	105

(1) 2017 and beyond calculated under IFRS 15; (2) Wireless net and gross additions and subscribers for TELUS are RBC Capital Market estimates for 2019 and beyond; (3) Television and telephony net additions for Rogers are RBC Capital Market estimates for 2020 and beyond

Notes (i) Cogeco data for Canadian Cable Services only; (ii) Shaw wireline capex comprises Consumer and Business Network Services; (iii) Segmented capex intensity excludes spectrum and is calculated as a percentage of total segmented revenue; (iv) BCE 2014 figures restated to include Bell Aliant in Bell segmented results and operating metrics; (v) BCE 2017 and 2018 include Manitoba Telecom; (vi) 2017 and beyond calculated under IFRS 15; (vii) wireless net and gross additions and subscribers for TELUS are RBC CM estimates for 2019 and beyond.

Sources: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Exhibit 8: Summary of Shaw Balance Sheet and Liquidity Position

Shaw Communications
Amounts in C$MM unless otherwise noted — *Reported Q1/21 as of November 30, 2020*

Credit Ratios	Select Covenants	Current Q1/21A	F2021E	F2022E	F2023E
Net Debt/Operating Cash Flow	5.0x	1.9x	2.6x	2.6x	2.4x
Operating Cash Flow/Fixed Charges	2.0x	10.3x	10.3x	10.8x	11.4x

Key Metrics	Q1/21A	F2021E	F2022E	F2023E
LTM Free Cash Flow	$785	$795	$837	$923
LTM Dividends Paid/Free Cash Flow	78%	76%	76%	73%
LTM Capex	$1,085	$1,018	$1,028	$1,004
Capex Intensity (% of Revenues)	20%	19%	19%	18%
Capitalized Lease Obligations	$1,311			

Available Liquidity	Expiration	
Cash		$571
Credit Facilities	December 2024	$1,500
A/R Securitization		$0
Total		$2,071

Credit Ratings	
Standard & Poors	BBB- Positive
Moody's	Baa2 Stable

Debt Maturity Schedule	2021	2022	2023	2024	2025	2026	Post 2026	Total	Interest Rate	Fixed/Variable
Short-Term Borrowings	$200							$200		
Senior Notes	$1			$500	$500		$3,598	$4,599	4.80%	Fixed
Total/Weighted Average	$201	$0	$0	$500	$500	$0	$3,598	$4,799	4.80%	
Percentage of debt requiring re-financing	4%									

Note: Free Cash Flow is RBC CM definition and defined as operating cash flow before changes in working capital on an estimated pre-IFRS 15 and 16 basis

Source: Company Reports, FactSet, RBC Capital Markets estimates

Exhibit 9: Income Statement Summary

Shaw Communications Income Statement Summary (C$MM Unless Stated, Year Ended August 31)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E	'20-'23E CAGR
Revenue															
Consumer	3,726	3,707	924	919	923	917	3,683	911	898	896	889	3,595	3,501	3,430	
Business Network Services	566	593	143	144	140	140	567	145	143	143	145	576	600	627	
Business Infrastructure Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Wireless[2]	926	1,047	318	302	252	294	1,166	317	305	309	344	1,275	1,396	1,521	
Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Intersegment	(4)	(7)	(2)	(2)	(3)	(2)	(9)	(3)	(2)	(3)	(2)	(10)	(10)	(10)	
Total	**5,214**	**5,340**	**1,383**	**1,363**	**1,312**	**1,349**	**5,407**	**1,370**	**1,345**	**1,346**	**1,376**	**5,436**	**5,487**	**5,569**	**1.0%**
EBITDA[1]															
Wireline	1,913	1,955	517	519	508	510	2,054	532	522	512	509	2,075	2,061	2,059	
Wireless[2]	177	199	71	81	101	84	337	75	79	85	90	329	391	456	
Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	**2,090**	**2,154**	**588**	**600**	**609**	**594**	**2,391**	**607**	**601**	**597**	**599**	**2,404**	**2,452**	**2,516**	**1.7%**
Depreciation & Amortization	(1,017)	(1,039)	(303)	(300)	(302)	(312)	(1,217)	(305)	(308)	(310)	(315)	(1,237)	(1,268)	(1,300)	
EBIT	**1,073**	**1,115**	**285**	**300**	**307**	**282**	**1,174**	**302**	**293**	**288**	**284**	**1,167**	**1,184**	**1,216**	**1.2%**
Financial Expense and Other	(660)	(301)	(73)	(86)	(71)	(68)	(298)	(79)	(66)	(65)	(63)	(261)	(254)	(248)	
EBT	413	814	212	214	236	214	876	223	228	223	220	906	929	968	**3.4%**
Income Tax	(141)	(120)	(48)	(45)	(49)	(37)	(179)	(58)	(59)	(58)	(57)	(233)	(242)	(252)	
Non-controlling Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Preferred Dividends	(8)	(9)	(2)	(2)	(3)	(2)	(9)	(2)	(2)	(3)	(2)	(9)	(9)	(9)	
Equity Income/(Loss)	(200)	46	-	-	-	-	-	-	-	-	-	-	-	-	
Net Income from Continuing Operations	**64**	**731**	**162**	**167**	**184**	**175**	**688**	**163**	**166**	**162**	**161**	**665**	**679**	**707**	**0.9%**
Adjusted EPS	**$1.09**	**$1.43**	**$0.31**	**$0.32**	**$0.38**	**$0.34**	**$1.34**	**$0.33**	**$0.33**	**$0.32**	**$0.31**	**$1.29**	**$1.32**	**$1.38**	**1.0%**
Weighted Average Shares Outstanding (MM)	503	512	517	515	513	513	514	513	510	513	513	512	513	513	

YoY Growth	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Revenue														
Consumer	-0.6%	-0.5%	-1.3%	-0.4%	-0.2%	-0.7%	-0.6%	-1.4%	-2.3%	-2.9%	-3.0%	-2.4%	-2.6%	-2.0%
Business Network Services	0.5%	4.8%	-2.7%	-2.7%	-6.7%	-5.4%	-4.4%	1.4%	-0.4%	2.1%	3.4%	1.6%	4.2%	4.5%
Business Infrastructure Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wireless	53.1%	13.1%	16.9%	22.8%	1.2%	5.0%	11.4%	-0.3%	0.9%	22.7%	17.1%	9.4%	9.5%	9.0%
Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-1.1%	**2.4%**	**2.1%**	**3.7%**	**-0.8%**	**0.0%**	**1.3%**	**-0.9%**	**-1.4%**	**2.6%**	**2.0%**	**0.5%**	**0.9%**	**1.5%**
EBITDA[1]														
Wireline	-3.1%	2.2%	3.4%	4.4%	6.9%	5.6%	5.1%	2.9%	0.5%	0.9%	-0.2%	1.0%	-0.7%	-0.1%
Wireless	32.1%	12.4%	61.4%	58.8%	90.6%	64.7%	69.3%	5.6%	-2.2%	-15.8%	6.6%	-2.4%	18.9%	16.8%
Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-0.9%	**3.1%**	**8.1%**	**9.5%**	**15.3%**	**11.2%**	**11.0%**	**3.2%**	**0.1%**	**-1.9%**	**0.8%**	**0.5%**	**2.0%**	**2.6%**
EBIT	**0.4%**	**3.9%**	**1.1%**	**5.6%**	**15.8%**	**-0.7%**	**5.3%**	**6.0%**	**-2.2%**	**-6.2%**	**0.6%**	**-0.6%**	**1.4%**	**2.7%**
Net Income from Continuing Operations	**-88.9%**	**1042.2%**	**-12.9%**	**8.4%**	**-18.9%**	**6.7%**	**-5.9%**	**0.6%**	**-0.3%**	**-11.8%**	**-8.0%**	**-3.4%**	**2.1%**	**4.2%**
Adjusted EPS	**-22.2%**	**30.8%**	**-14.7%**	**7.5%**	**-36.1%**	**12.0%**	**-6.2%**	**6.6%**	**0.7%**	**-16.2%**	**-8.0%**	**-3.6%**	**2.5%**	**4.2%**

Margins (% Revenue)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
EBITDA														
Wireline	44.6%	45.5%	48.5%	48.8%	47.8%	48.2%	48.3%	50.4%	50.1%	49.3%	49.2%	49.8%	50.3%	50.8%
Wireless	19.1%	19.0%	22.3%	26.8%	40.1%	28.6%	28.9%	23.7%	26.0%	27.5%	26.0%	25.8%	28.0%	30.0%
Media	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	40.1%	**40.3%**	**42.5%**	**44.0%**	**46.4%**	**44.0%**	**44.2%**	**44.3%**	**44.7%**	**44.4%**	**43.5%**	**44.2%**	**44.7%**	**45.2%**
EBIT	**20.6%**	**20.9%**	**20.6%**	**22.0%**	**23.4%**	**20.9%**	**21.7%**	**22.0%**	**21.8%**	**21.4%**	**20.6%**	**21.5%**	**21.6%**	**21.8%**
Net Income from Continuing Operations	**1.2%**	**13.7%**	**11.7%**	**12.3%**	**14.0%**	**13.0%**	**12.7%**	**11.9%**	**12.4%**	**12.1%**	**11.7%**	**12.2%**	**12.4%**	**12.7%**

[1]Consolidated EBITDA excludes wireless
[2]Results for F2019 onward reflect IFRS 15 adjustments and may not be comparable to prior periods
Source: Company reports, RBC Capital Markets estimates

Sources: Company reports, RBC Capital Markets estimates

RBC Capital Markets

Exhibit 10: Cash Flow and Balance Sheet

Shaw Communications Cash Flow Statement Summary (C$MM Unless Stated, Year Ended August 31)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Net Inc/(Dec) in Cash & Equivalents														
Cash flow from operating activities	1,351	1,575	339	361	588	632	1,920	300	416	595	593	1,904	1,997	2,063
Cash flow from investing activities	(1,174)	(1,147)	(310)	(294)	(261)	(289)	(1,154)	(232)	(261)	(261)	(661)	(1,416)	(1,428)	(1,004)
Cash flow from financing activities	(300)	627	(1,343)	(152)	277	(231)	(1,449)	(260)	(184)	(186)	(185)	(815)	(772)	(804)
	(123)	**1,055**	**(1,314)**	**(85)**	**604**	**112**	**(683)**	**(192)**	**(30)**	**148**	**(253)**	**(327)**	**(203)**	**255**
Ending Cash & Equivalents														
Beginning cash & equivalents	507	384	1,446	132	47	651	1,446	763	571	541	689	763	436	233
Net inc/(dec) in cash & equivalents	(123)	1,055	(1,314)	(85)	604	112	(683)	(192)	(30)	148	(253)	(327)	(203)	255
	384	**1,439**	**132**	**47**	**651**	**763**	**763**	**571**	**541**	**689**	**436**	**436**	**233**	**488**

Free Cash Flow Summary	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Free Cash Flow														
Cash from operations before working capital	1,233	1,777	450	496	541	502	1,989	488	487	484	489	1,948	1,999	2,062
Less: capex and equipment subsidies	(1,416)	(1,212)	(260)	(276)	(268)	(307)	(1,111)	(234)	(261)	(261)	(261)	(1,018)	(1,028)	(1,004)
Less: preferred dividends	(8)	(9)	(2)	(2)	(3)	(2)	(9)	(2)	(2)	(3)	(2)	(9)	(9)	(9)
Free Cash Flow	**(191)**	**556**	**188**	**218**	**270**	**193**	**869**	**252**	**224**	**220**	**225**	**921**	**962**	**1,048**
Less: dividends	(384)	(389)	(116)	(153)	(152)	(152)	(573)	(152)	(151)	(152)	(152)	(607)	(638)	(670)
Free Cash Flow (Post-Dividends)	**(575)**	**167**	**72**	**65**	**118**	**41**	**296**	**100**	**73**	**68**	**73**	**314**	**324**	**378**
FCF Per Share (Pre-Dividends)	**($0.38)**	**$1.09**	**$0.36**	**$0.42**	**$0.53**	**$0.38**	**$1.69**	**$0.49**	**$0.44**	**$0.43**	**$0.44**	**$1.80**	**$1.88**	**$2.04**

Balance Sheet Summary	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Assets														
Current Assets	1,026	2,178	899	813	1,394	1,500	1,500	1,344	1,337	1,485	1,202	1,202	1,002	1,261
Fixed and Other Assets	13,398	13,461	14,760	14,776	14,698	14,665	14,665	14,666	14,625	14,581	14,933	14,933	15,111	14,835
Total Assets	**14,424**	**15,639**	**15,659**	**15,589**	**16,092**	**16,165**	**16,165**	**16,010**	**15,961**	**16,067**	**16,135**	**16,135**	**16,113**	**16,096**
Liabilities and Shareholders' Equity														
Liabilities	8,467	9,356	9,372	9,376	9,843	9,932	9,932	9,845	9,783	9,881	9,942	9,942	9,889	9,844
Shareholders' Equity	5,957	6,290	6,287	6,213	6,249	6,233	6,233	6,165	6,178	6,186	6,193	6,193	6,224	6,252
Total Liabilities and Shareholders' Equity	**14,424**	**15,646**	**15,659**	**15,589**	**16,092**	**16,165**	**16,165**	**16,010**	**15,961**	**16,067**	**16,135**	**16,135**	**16,113**	**16,096**

Net Debt Summary	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Net Debt														
Bank indebtedness	40	40	120	255	250	200	200	200	200	200	200	200	200	200
Current portion of long-term debt	1	1,251	1	1	1	7	7	7	7	7	7	7	7	7
FX swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt	4,310	4,057	4,058	4,050	4,546	4,547	4,547	4,548	4,548	4,548	4,548	4,548	4,548	4,548
Preferred shares	300	300	293	293	293	293	293	293	293	293	293	293	293	293
Lease Liabilities	-	-	1,306	1,305	1,280	1,270	1,270	1,311	1,270	1,270	1,270	1,270	1,270	1,270
Less: cash & equivalents	(384)	(1,439)	(132)	(47)	(651)	(763)	(763)	(571)	(541)	(689)	(436)	(436)	(233)	(488)
	4,267	**4,209**	**5,646**	**5,857**	**5,719**	**5,554**	**5,554**	**5,788**	**5,777**	**5,629**	**5,882**	**5,882**	**6,085**	**5,830**

Source: Company reports, RBC Capital Markets estimates

Sources: Company reports, RBC Capital Markets estimates

Drew McReynolds, CFA, CA, CPA (416) 842-3805; drew.mcreynolds@rbccm.com

Capital Markets

Exhibit 11: Summary of Financial Ratios

Shaw Communications Financial Ratios Summary (C$MM Unless Stated, Year Ended August 31)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E
Dividend per Common Share	**$1.20**	**$1.19**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.19**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$1.19**	**$1.24**	**$1.31**
YoY	0.0%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.0%	5.0%
% EPS from continuing operations	109.9%	83.0%	94.5%	91.4%	78.4%	86.8%	88.5%	88.7%	90.7%	93.6%	94.4%	91.8%	94.0%	94.8%
% Free cash flow[1]	-	109.1%	81.4%	70.0%	56.3%	78.7%	70.1%	60.3%	67.5%	69.0%	67.4%	65.9%	66.3%	63.9%
Book Value per Share														
Total shareholders' equity	5,957	6,290	6,287	6,213	6,249	6,233	6,233	6,165	6,178	6,186	6,193	6,193	6,224	6,252
Shares outstanding (MM)	507	517	517	513	513	513	513	507	513	513	513	513	513	513
	$11.74	**$12.17**	**$12.17**	**$12.10**	**$12.18**	**$12.15**	**$12.15**	**$12.17**	**$12.04**	**$12.06**	**$12.07**	**$12.07**	**$12.13**	**$12.19**
Net Debt / LTM EBITDA[2, 3]														
Net debt[2]	4,267	4,209	5,646	5,857	5,719	5,554	5,554	5,788	5,777	5,629	5,882	5,882	6,085	5,830
LTM EBITDA[3]	2,090	2,154	2,198	2,250	2,331	2,391	2,391	2,410	2,411	2,399	2,404	2,404	2,452	2,516
	2.04x	**1.95x**	**2.57x**	**2.60x**	**2.45x**	**2.32x**	**2.32x**	**2.40x**	**2.40x**	**2.35x**	**2.45x**	**2.45x**	**2.48x**	**2.32x**
Net Debt / Total Capitalization[2, 4]														
Net debt[2]	4,267	4,209	5,646	5,857	5,719	5,554	5,554	5,788	5,777	5,629	5,882	5,882	6,085	5,830
Total capitalization[4]	10,224	10,499	11,933	12,070	11,968	11,787	11,787	11,953	11,955	11,815	12,075	12,075	12,309	12,083
	41.7%	**40.1%**	**47.3%**	**48.5%**	**47.8%**	**47.1%**	**47.1%**	**48.4%**	**48.3%**	**47.6%**	**48.7%**	**48.7%**	**49.4%**	**48.3%**
Capex Intensity														
Capex[5]	1,251	1,162	270	248	224	228	970	196	261	261	261	980	1,028	1,004
Revenue	5,214	5,340	1,383	1,363	1,312	1,349	5,407	1,370	1,345	1,346	1,376	5,436	5,487	5,569
	24.0%	**21.8%**	**19.5%**	**18.2%**	**17.1%**	**16.9%**	**17.9%**	**14.3%**	**19.4%**	**19.4%**	**19.0%**	**18.0%**	**18.7%**	**18.0%**
Free Cash Flow / EBITDA[1, 3]														
Free cash flow[1]	(191)	556	188	218	270	193	869	252	224	220	225	921	962	1,048
EBITDA[3]	2,090	2,154	588	600	609	594	2,391	607	601	597	599	2,404	2,452	2,516
	-9.1%	**25.8%**	**32.0%**	**36.3%**	**44.3%**	**32.5%**	**36.3%**	**41.5%**	**37.2%**	**36.9%**	**37.6%**	**38.3%**	**39.2%**	**41.7%**
Effective Tax Rate														
Income tax	141	120	48	45	49	37	179	58	59	58	57	233	242	252
EBT	413	814	212	214	236	214	876	223	228	223	220	906	929	968
	34.1%	**14.7%**	**22.6%**	**21.0%**	**20.8%**	**17.3%**	**20.4%**	**26.0%**	**26.0%**	**26.0%**	**26.0%**	**25.7%**	**26.0%**	**26.0%**
ROE[6]	**1.1%**	**11.9%**					**11.0%**	**2.6%**	**2.7%**	**2.6%**	**2.6%**	**10.7%**	**10.9%**	**11.3%**
ROIC[7]	**6.9%**	**9.2%**					**8.4%**	**0.0%**	**0.0%**	**7.7%**	**7.3%**	**7.3%**	**7.2%**	**7.4%**

[1]Free Cash Flow (FCF) defined as cash from operations before changes in non-cash WC - capex and equipment subsidies - preferred dividends
[2]Net Debt defined as current portion of long-term debt + fx swap + long-term debt + preferred shares - cash & equivalents
[3]Consolidated EBITDA excludes wireless
[4]Total Capitalization defined as net debt + shareholders' equity
[5]Capex includes additions to PPE
[6]ROE defined as (net income from continuing operations) / (average shareholders' equity)
[7]ROIC defined as (EBIT*(1-T)) / (average total capital)
Source: Company reports, RBC Capital Markets estimates

Sources: Company reports, RBC Capital Markets estimates

RBC Capital Markets

Exhibit 12: Summary of Key Operating Metrics

Shaw Communications Operating Metrics (000s Unless Stated, Year Ended August 31)	2018	2019	Q1/20	Q2/20	Q3/20	Q4/20	2020	Q1/21	Q2/21E	Q3/21E	Q4/21E	2021E	2022E	2023E	'20-'23E CAGR
Cable	1,635	1,520	1,508	1,486	1,459	1,428	1,428	1,394	1,363	1,337	1,316	1,316	1,223	1,130	-7.5%
Consumer	1,585	1,478	1,464	1,445	1,424	1,391	1,391	1,356	1,326	1,301	1,281	1,281	1,191	1,101	
Business	50	42	43	41	36	38	38	37	36	35	34	34	31	28	
Internet	2,050	2,085	2,092	2,097	2,092	2,082	2,082	2,068	2,057	2,048	2,041	2,041	2,055	2,080	0.0%
Consumer	1,877	1,912	1,917	1,923	1,918	1,904	1,904	1,889	1,876	1,866	1,859	1,859	1,869	1,889	
Business	173	174	174	174	174	178	178	179	180	181	182	182	187	191	
Satellite	785	739	709	697	692	687	687	656	642	628	614	614	565	516	-9.1%
Consumer	750	703	671	658	658	651	651	617	602	587	572	572	522	472	
Business	35	36	38	39	34	36	36	38	39	40	41	41	42	43	
Telephony	1,209	1,147	1,125	1,103	1,084	1,060	1,060	1,039	1,020	1,001	982	982	907	837	-7.6%
Consumer	854	768	742	718	697	673	673	649	629	609	589	589	509	429	
Business	355	379	384	385	387	388	388	390	391	392	393	393	398	408	
Wireless	1,403	1,658	1,716	1,767	1,762	1,822	1,822	1,923	1,981	2,039	2,096	2,096	2,344	2,576	
Postpaid	1,030	1,314	1,381	1,435	1,437	1,482	1,482	1,569	1,623	1,675	1,723	1,723	1,956	2,173	
Prepaid	373	344	335	332	324	339	339	353	358	363	373	407	422	437	
Subscribers (YoY Growth)	**2018**	**2019**	**Q1/20**	**Q2/20**	**Q3/20**	**Q4/20**	**2020**	**Q1/21**	**Q2/21E**	**Q3/21E**	**Q4/21E**	**2021E**	**2022E**	**2023E**	
Cable	-5.1%	-7.0%	-6.4%	-6.0%	-6.0%	-6.1%	-6.1%	-7.6%	-8.3%	-8.4%	-7.9%	-7.9%	-7.1%	-7.6%	
Consumer	-5.1%	-6.7%	-6.2%	-5.7%	-5.6%	-5.9%	-5.9%	-7.4%	-8.2%	-8.6%	-7.9%	-7.9%	-7.0%	-7.6%	
Business	-2.8%	-15.6%	-11.9%	-15.0%	-17.8%	-10.4%	-10.4%	-13.8%	-10.3%	-1.0%	-8.1%	-8.1%	-8.7%	-9.5%	
Internet	0.9%	1.7%	1.7%	1.5%	0.9%	-0.2%	-0.2%	-1.1%	-1.9%	-2.1%	-2.0%	-2.0%	0.7%	1.2%	
Consumer	0.9%	1.9%	1.8%	1.6%	0.9%	-0.4%	-0.4%	-1.5%	-2.4%	-2.7%	-2.4%	-2.4%	0.5%	1.1%	
Business	1.3%	0.5%	0.2%	0.8%	0.6%	2.6%	2.6%	2.9%	3.7%	4.2%	2.4%	2.4%	2.3%	2.2%	
Satellite	-2.5%	-5.9%	-6.3%	-6.8%	-7.8%	-7.1%	-7.1%	-7.6%	-8.0%	-9.4%	-10.7%	-10.7%	-8.0%	-8.7%	
Consumer	-3.0%	-6.3%	-7.0%	-7.5%	-8.0%	-7.5%	-7.5%	-8.1%	-8.5%	-10.8%	-12.1%	-12.1%	-8.7%	-9.6%	
Business	10.5%	2.4%	7.3%	7.9%	-3.8%	1.0%	1.0%	1.0%	0.7%	17.8%	14.9%	14.9%	2.4%	2.4%	
Telephony	-3.5%	-5.1%	-6.3%	-7.0%	-7.3%	-7.6%	-7.6%	-7.7%	-7.5%	-7.7%	-7.4%	-7.4%	-7.6%	-7.7%	
Consumer	-7.7%	-10.1%	-11.5%	-12.1%	-12.3%	-12.4%	-12.4%	-12.5%	-12.4%	-12.7%	-12.5%	-12.5%	-13.6%	-15.7%	
Business	8.5%	6.9%	5.5%	4.3%	3.3%	2.2%	2.2%	1.7%	1.5%	1.3%	1.4%	1.4%	1.3%	2.5%	
Wireless	22.3%	18.2%	16.9%	16.5%	11.6%	9.8%	9.8%	12.0%	12.1%	15.7%	15.1%	15.1%	11.8%	9.9%	
Postpaid	34.8%	27.6%	23.7%	21.6%	15.7%	12.8%	12.8%	13.7%	13.1%	16.6%	16.3%	16.3%	13.5%	11.1%	
Prepaid	-2.6%	-7.7%	-4.9%	-1.1%	-3.6%	-1.5%	-1.5%	5.3%	7.8%	11.9%	9.9%	19.9%	3.7%	3.6%	
Net Additions	**2018**	**2019**	**Q1/20**	**Q2/20**	**Q3/20**	**Q4/20**	**2020**	**Q1/21**	**Q2/21E**	**Q3/21E**	**Q4/21E**	**2021E**	**2022E**	**2023E**	
Cable	(87)	(115)	(12)	(22)	(26)	(31)	(92)	(34)	(31)	(26)	(21)	(112)	(93)	(93)	
Consumer	(86)	(107)	(14)	(19)	(22)	(33)	(88)	(34)	(30)	(25)	(20)	(109)	(90)	(90)	
Business Network Services	(1)	(8)	2	(3)	(5)	2	(4)	(0)	(1)	(1)	(1)	(3)	(3)	(3)	
Internet	18	36	6	6	(5)	(10)	(3)	(14)	(12)	(9)	(7)	(41)	14	24	
Consumer	16	35	6	6	(5)	(14)	(8)	(15)	(13)	(10)	(8)	(45)	10	20	
Business Network Services	2	1	1	(0)	0	4	5	1	1	1	1	4	4	4	
Satellite	(20)	(46)	(30)	(12)	(5)	(6)	(52)	(31)	(14)	(14)	(14)	(73)	(49)	(49)	
Consumer	(23)	(47)	(32)	(13)	(0)	(7)	(52)	(34)	(15)	(15)	(15)	(79)	(50)	(50)	
Business Network Services	3	1	2	1	(5)	2	0	2	1	1	1	5	1	1	
Telephony	(44)	(62)	(22)	(22)	(19)	(24)	(87)	(21)	(19)	(19)	(19)	(78)	(75)	(70)	
Consumer	(72)	(86)	(26)	(24)	(21)	(25)	(95)	(24)	(20)	(20)	(20)	(84)	(80)	(80)	
Business Network Services	28	25	4	2	2	1	8	2	1	1	1	5	5	10	
Wireless	256	266	58	51	(5)	60	163	101	59	57	58	275	248	231	
Postpaid	266	288	67	54	2	45	168	87	54	52	48	241	233	216	
Prepaid	(10)	(22)	(9)	(3)	(8)	15	(5)	14	5	5	10	34	15	15	
Other Wireless Metrics	**2018**	**2019**	**Q1/20**	**Q2/20**	**Q3/20**	**Q4/20**	**2020**	**Q1/21**	**Q2/21E**	**Q3/21E**	**Q4/21E**	**2021E**	**2022E**	**2023E**	
Blended Wireless ARPU	$37.11	$37.90	$38.76	$38.45	$38.94	$39.65	$38.95	$38.25	$38.07	$38.55	$39.25	$38.87	$38.49	$38.68	-0.2%
Blended Wireless ABPU	$36.86	$41.99	$43.60	$43.84	$44.27	$44.81	$44.13	$42.66	$42.96	$43.38	$43.91	$43.23	$42.80	$43.01	-0.9%
Postpaid churn	1.45%	1.29%	1.50%	1.57%	0.96%	1.57%	1.39%	1.81%	1.77%	1.60%	1.57%	1.67%	1.62%	1.57%	

Source: Company reports, RBC Capital Markets estimates

Sources: Company reports, RBC Capital Markets estimates

Valuation

Our one-year price target of $27 is based on the average of three approaches: (i) applying an 19.0x multiple to our blended two-year forward adjusted EPS estimates; (ii) applying target EV/EBITDA multiples of 7.00x and 9.00x to our EBITDA estimates for wireline and wireless, respectively; and (iii) discounted FCF through F2025E factoring in a WACC of 8.0% and a terminal growth rate of 1.5%. We believe our target multiples are consistent with the company's growth and risk profile and a low-interest rate environment. The total implied return to our price target supports an Outperform rating.

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Risks to our rating and price target include: (i) unforeseen direct and indirect COVID-19 impacts; (ii) greater-than-expected wireless capex and/or the inability to execute on wireless; (iii) greater-than-expected market share gains from TELUS Optik TV and TELUS Optik Internet; (iv) the inability to realize additional annual cost savings; (v) greater-than-expected telephony and television substitution; and (vi) the emergence of irrational pricing in the residential telephony, television, and/or Internet markets.

Company description

Shaw Communications is one of Canada's largest telecom operators with 1.4 million cable subscribers, 2.1 million Internet subscribers, and 1.1 million telephony subscribers in Western Canada. Shaw also provides satellite television and wireless services with 700k satellite subscribers and 1.8 million wireless subscribers.

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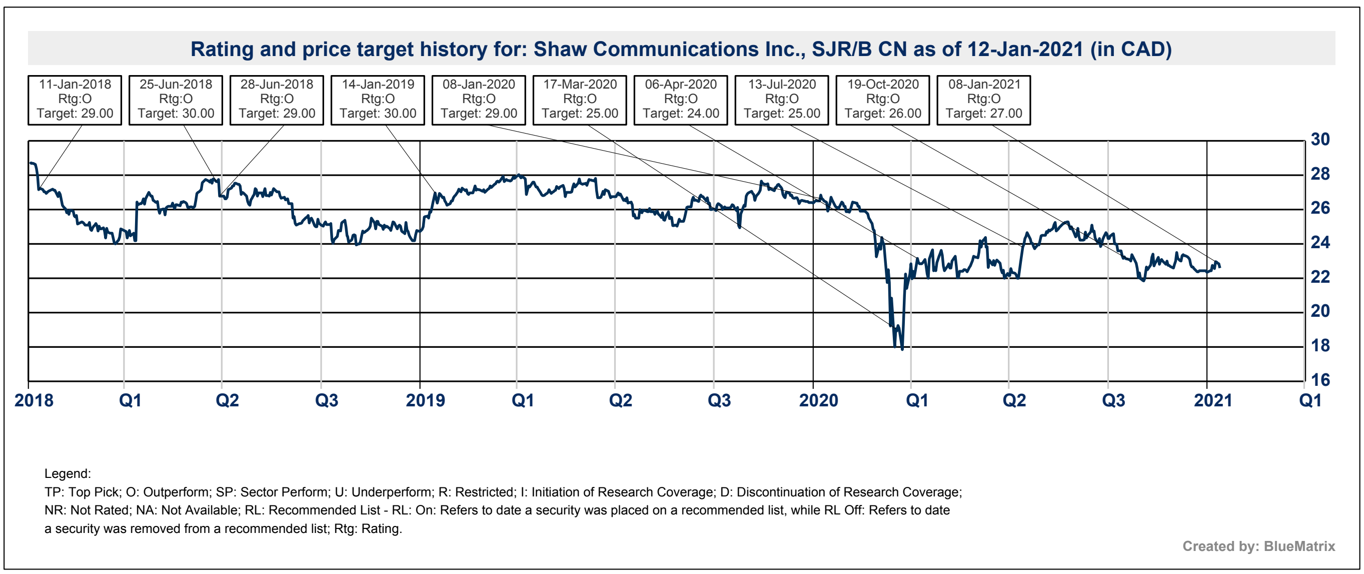

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Shaw Communications Inc.

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CT-2022-002

THE COMPETITION TRIBUNAL

IN THE MATTER OF the *Competition Act*, R.S.C. 1985, c. C-34;

AND IN THE MATTER OF the proposed acquisition by Rogers Communications Inc. of Shaw Communications Inc.; and

AND IN THE MATTER OF an application by the Commissioner of Competition for anorder pursuant to section 92 of the *Competition Act*.

BETWEEN:

COMMISSIONER OF COMPETITION

Applicant

- and -

ROGERS COMMUNICATIONS INC. AND SHAW COMMUNICATIONS INC.

Respondents

- and -

ATTORNEY GENERAL OF ALBERTA
VIDEOTRON LTD.

Intervenors

Affidavit of Kenneth Mathieu
